

# FINANCIAL TIMES

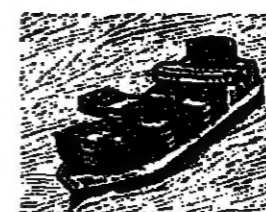
**Guided weapons**  
A dilemma  
for Britain  
Page 13



**Apple forever**  
Should I buy  
a new Mac?  
Technology, Page 10



**Sniffing around**  
PetsMart turns  
to Europe  
Page 15



**Deep resources**  
Accessing the US  
capital markets  
Survey, Pages 21-24

World Business Newspaper

THURSDAY FEBRUARY 1 1996

## Kinnock attacked over approval of subsidy for Iberia

European Union transport commissioner Neil Kinnock (below) has been denounced by the British government for approving a £150m (£115m) state subsidy for the Spanish airline Iberia. Viscount Goschen, the UK aviation minister, threatened a European Court challenge to the "depressingly weak decision". Mr Kinnock has justified his position by saying the Spanish government's rescue package should not be categorised as state aid in the traditional sense. Page 7

**Ford warns of weaker earnings:** Ford, the US's second biggest car manufacturer, said its core operations had barely managed to break even in the final quarter of last year and warned that the cost of launching models in the US and Europe would lead to weaker earnings in the first six months of this year. Page 16; GM rediscovers brand, Page 18

**Chirac presents Nato plans:** French president Jacques Chirac is to outline to the US government his hopes for a reformed Nato, going back on earlier ambitions to upgrade the Western European Union to supersede the Atlantic alliance. Page 2; Editorial Comment, Page 13

**Santer launches 'confidence pact':** Jacques Santer, president of the European Commission, announced plans to spend an extra £200m (£150m) on public works in a "confidence pact" to counter fears that moves to monetary union are putting people out of work. Page 14

**Credit Foncier chief removed:** The French government announced the abrupt replacement of the head of Credit Foncier de France, the troubled financial institution specialising in property lending. But in an unusual turn of events Jean-Claude Collé did not resign, in a gesture believed to reflect his frustration with the decision. Page 15

**Elf, the French oil company, and Enterprise, the UK explorer, have "reorganised" their loss-making Elf Enterprise Petroleum joint venture. Elf and Enterprise said there would be no impact on the three North Sea fields operated by EEP. Page 20; Operators seek cost savings, Page 8; Lex, Page 14**

**Rhône-Poulenc to cut debt:** French chemical group Rhône-Poulenc announced a 10 per cent decline in operating income and disposals worth FF10bn (\$2bn) aimed at cutting its debt and boosting its "inadequate" profitability. Page 16

**Oregon to have Democrat senator:** Oregon is to have its first Democratic US senator in 26 years with the election of Congressman Ron Wyden to replace Senator Bob Packwood, who resigned last year over charges of sexual harassment. Page 4

**Philip Morris, the US tobacco and food group, recorded a 16.5 per cent jump in net profits to \$1.3bn in the fourth quarter, helped by strong sales of Marlboro cigarettes. Page 18**

**Philippine reforms in doubt:** The largest party in the ruling Philippine coalition has split off to form an opposition group in the senate, calling into question the government's ability to enact controversial economic reforms. Page 14

**Hanson shares fall:** Industrial conglomerate Hanson's shares fell 5.4p to 307.4p on the London market as doubts emerged about its plan to split into four. Page 15; The Hanson demerger, Page 20

**New Polish PM proposed:** The leaders of both parties in the ruling Polish coalition proposed Włodzimierz Cimoszewicz from the ruling Democratic Left Alliance to replace Józef Oleksy as prime minister, pointing to an early end to the political crisis. Page 14; Profile, Page 2

**Move to defuse Turkish-Greek tensions:** Richard Holbrooke, the US envoy to the Balkans, launched a diplomatic initiative to defuse Turkish-Greek tensions and avoid the recurrence of armed stand-offs in the Aegean. Page 2

**Alliance & Leicester:** the UK's fourth largest building society, confirmed that it planned to float and become a bank by early next year, but the scale of the bonus to its 2.6m investors is uncertain. Lex, Page 20

**Eurodis Electron, the fifth largest electronic component distributor in Europe, faces a potentially hostile takeover after Elektrowatt, its largest shareholder, said it intended to sell its 42 per cent holding. Page 15**

STOCK MARKET INDICES	
New York S&P 500	5,384.10 (+2.59)
Dow Jones Ind. Av.	4,048.5 (+3.42)
NASDAQ Composite	1,054.72 (+3.42)
Europe and Far East	
CAC-40	2,821.83 (+17.30)
DAX	2,671.14 (+24.33)
FT-SE 100	2,795.5 (+24.0)
Nikkei	20,812.74 (+80.30)

US LUNCHTIME RATES	
Federal Funds	5.75%
3-month Treas. Bill	5.00%
Long Bond	7.11%
Yield	8.02%

OTHER RATES	
UK 3-month interbank	6.75%
UK 10 yr Govt	10.75%
France 10 yr Govt	10.63%
Germany 10 yr Govt	10.78%
Japan 10 yr Govt	11.08%
Italy 10 yr Govt	11.14%

NORTH SEA OIL (Argus)	
Brut 15-day (Mar)	\$18.46
Brut 15-day (Apr)	\$18.46

STOCK MARKET INDICES	
New York S&P 500	5,384.10 (+2.59)
Dow Jones Ind. Av.	4,048.5 (+3.42)
NASDAQ Composite	1,054.72 (+3.42)
Europe and Far East	
CAC-40	2,821.83 (+17.30)
DAX	2,671.14 (+24.33)
FT-SE 100	2,795.5 (+24.0)
Nikkei	20,812.74 (+80.30)

## Canadian banks sue law firm over Canary Wharf

By Bernard Simon in Toronto and Robert Rice in London

Clifford Chance, the UK's largest international law firm, is being sued for £51.3bn (\$940m) by four Canadian banks which incurred heavy losses in the early 1990s from the collapse of the Canary Wharf office development in London's Docklands.

Writs filed by the banks simultaneously in London and Ontario allege that they forfeited an influential role in the restructuring of Canary Wharf as a result of

incorrect information provided by Clifford Chance in a 1988 legal opinion.

The UK firm has not yet filed a defence. However, it has challenged the Ontario court's jurisdiction to hear the case. A hearing on the jurisdiction issue has been scheduled for the end of May.

Canary Wharf was put into administration in May 1992 following the collapse of its parent, Olympia & York Developments, the property group owned by Canada's Reichmann family.

Under a subsequent restructuring, a group of 11 international banks, including the four Canadian institutions, gained control of the project.

The banks' involvement ended late last year when they sold their interest to a consortium led by Mr Paul Reichmann. The four Canadian banks - Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Nova Scotia and National Bank of Canada - filed their claim against Clifford Chance last June, before the sale was concluded.

The claim stems from a \$400m (\$616m) "equity loan" which the banks provided to O&Y in 1986 to capitalise Canary Wharf's main holding company. O&Y pledged its shares in the holding company as security for the loan.

According to the banks, Clifford Chance advised them that the holding company was a private limited company, when in fact it had unlimited liability.

The banks allege that, because of the company's unlimited liability, they were unable to enforce their collateral without becoming

liable themselves for the project's entire debt.

According to CIBC's statement of claim, "the bank's expectation that it would enforce its pledge and thereafter control the completion, lease-up and ultimate disposition of Canary Wharf... was therefore completely frustrated as a direct result of the defendant's negligence".

In a statement issued yesterday the law firm said the £51.3bn figure was misleading. "To date no evidence has been produced to us that any loss was incurred by

these banks in relation to these loans following the collapse of O&Y as a result of any negligence on the part of Clifford Chance. If the banks pursue the claim, they will have to provide evidence of the alleged loss, but in that event we believe the amount involved would be very small."

The firm refused to discuss its indemnity insurance cover, but it is widely believed large UK law firms carry cover up to £150m.

Dutch bank plans City T 2, Par 8

## Fed reduces short-term US rates by quarter point

By Michael Prowse in Washington

The Federal Reserve - the US central bank - yesterday moved to stimulate a sluggish economy by cutting short-term interest rates by a quarter point.

The easing of policy followed a similar quarter-point cut in rates late in December. The immediate reaction on Wall Street was subdued because share prices had already risen strongly on Tuesday in anticipation of the Fed's action.

The Dow Jones Industrial average, which suddenly dropped 30 points from its opening level minutes before the rate cut announcement, recovered in late-afternoon trading to be up about 15 points. Bond prices were volatile, but shortly after the cut, the 30-year long bond was up a modest 1/4 point at 111 1/2.

"Moderating economic expansion in recent months has reduced potential inflationary pressures going forward," the Fed said yesterday in a short explanatory statement. "With prices and costs trends already subdued, a slight easing of monetary policy is consistent with containing inflation and sustainable growth."

The Clinton administration welcomed the decision and said the fundamentals were in place for a strong economy in 1996.

The policy relaxation involved cuts in two short-term rates. The Fed lowered the federal funds rate - the rate at which banks lend to each other - by a quarter point to 5.25 per cent. Governors also voted unanimously to lower the largely symbolic discount rate - the rate at which the Fed

lends to banks - by a quarter point to 5 per cent.

Mr John Lipsky, chief economist at Salomon Brothers in New York, said there was "ample justification for additional easing beyond today's move". The fact that the Fed had cut the discount rate, he said, indicated it might be contemplating a further cut before the next scheduled meeting of the policy-making open market committee in March.

Yesterday's move marked the third quarter-point cut in the federal funds rate since the Fed began to ease monetary policy last July, when rates stood at 6 per cent. The discount rate was last reduced in July 1992.

The Fed was responding to weak statistics indicating that economic growth has slowed to an annualised rate of about 1.5 per cent, well below the economy's potential. It has also been criticised for keeping short-term rates unnecessarily high relative to an underlying inflation rate of about 2.5 per cent.

Some Wall Street economists believe the Fed will ease policy several times this year, bringing short-term interest rates to about 4.5 per cent by the summer. Others, however, believe there is little, if any, scope for further rate cuts because the economy is likely to rebound naturally this spring. They point out that recent soft data partly reflects special factors, including two partial government shutdowns, a long strike at Boeing, the aircraft maker, and unusually severe winter weather.

Lex, Page 14; Bonds, Page 26; Currencies, Page 27; World Stocks, Page 36



A Sri Lankan runs away from the site of the bomb blast in the centre of the capital, Colombo, yesterday, which killed at least 55 people and injured more than 1,400. The army blamed separatist Tamil Tigers for the attack. Report, Page 6

## US airlines landing on their feet

By Richard Tomkins in New York

The US airline industry, long mired in heavy losses, made an astonishing recovery in 1995 by notching up its most profitable year since the invention of powered flight.

With most US airlines' fourth-quarter results now in, the Air Transport Association, an industry body, believes net profits for the year will total about \$2.2bn, easily beating the previous record of \$1.7bn in 1988.

The 1995 figure represents a turnaround from losses of \$279m the year before and marks the end of a five-year period during which US airlines ran up combined losses of more than \$18bn.

One reason for the return to profitability was a rise in passenger traffic. The Air Transport Association said the number of miles flown by passengers rose by 2.7 per cent on domestic flights and by 4.1 per cent on international flights last year, making 3.1 per cent overall. The airlines have also been making determined efforts to cut costs. UAL, parent of United Airlines, has given its employees a controlling stake in the company in return for pay cuts worth \$4.8bn over 12 years. Delta Air Lines is part way through a plan to cut its workforce by 15,000, or 20 per cent, saving \$2bn a year.

However, the biggest contributor to the profits growth has been the increase in fares that has accompanied cuts in capacity.

Most large US carriers have been withdrawing from routes where they do not make money, leaving fewer seats to be filled with bargain-basement fares.

Mr Philip Baggaley, an analyst at Standard & Poor's, the US credit rating agency, said the common philosophy among airlines in the 1980s was to try to build up a national route network, covering as much of the country as they could.

"Today, in contrast, airlines have retreated to more modest

goals and are focusing mainly on markets where they have competitive strengths, conceding the other markets to others," he said.

In spite of the record profits, the industry's celebrations are muted. The Air Transport Association pointed out that, even at these levels, the industry's net profits represent barely 2.5 per cent of revenues compared to an average net profit margin of 3 per cent for US industry generally.

Continued on Page 14

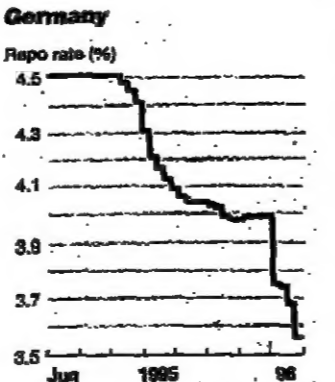
## Jobs warning by German car industry despite Bonn plan

By Wolfgang Münchau in Stuttgart

The German car and components sector will shed 100,000 jobs by the end of the decade unless the government agrees to fundamental measures to reduce business costs, the industry said yesterday, only a day after the Bonn coalition presented its economic stimulus package.

The warning came as the Bundesbank allowed its securities repurchase rate, the most important influence on short-term money market rates in Germany, to fall to its lowest level since November 1987.

However, the view among Frankfurt bankers and analysts was that the drop in the repo rate from 3.5 per cent to 3.4 per cent did not preclude a cut by the Bundesbank council today in the key discount and lombard rates from 3 per cent and 5 per cent.



Source: FT Editor

The German motor industry association (VDA) also claimed that a recent change in the tax rules for people with company cars would cost the industry billions of D-Marks in lost sales.

At her annual news conference, Ms Erika Emmerich, president of the VDA, one of Germany's most powerful lobbying groups, said: "Without further sustained cost reductions, which could lead to an improvement in [Germany's] competitive position, the pressure for further job reductions will increase. We could see a further 100,000 job losses in the car industry and its suppliers by the end of the decade."

She called on the government

Continued on Page 14  
Bundesbank cuts repo rate, Page 2; Editorial Comment, Page 13; Currencies, Page 27; World Stocks, Page 36

### PRIVATISATION OF THE HUNGARIAN REGIONAL GAS DISTRIBUTION COMPANIES

In five simultaneous transactions the Hungarian Privatisation and State Holding Company ("APV Rt.") has sold 50 per cent plus one of the Class "A" ordinary shares in

Délalföldi Gázszolgáltató Rt. ("DÉGÁZ")	Déldunántúli Gázszolgáltató Rt. ("DDGÁZ")	Északdunántúli Gázszolgáltató Rt. ("ÉGÁZ")	Középdunántúli Gázszolgáltató Rt. ("KÖGÁZ")	Tiszántúli Gázszolgáltató Rt. ("TIGÁZ")
100% plus one share sold to GAZ DE FRANCE	100% plus one share sold to BUNYAS	100% plus one share sold to GAZ DE FRANCE	100% plus one share sold to BAYENWERK	100% plus one share sold to ITALIAS
US\$ 92 million	US\$ 52 million	US\$ 77 million	US\$ 62 million	US\$ 171,884,851

The aggregate consideration received by the APV Rt. from the sale of those shareholdings amounted to US\$ 460 million

The Hungarian Privatisation and State Holding Company was advised in these transactions by



N M Rothschild & Sons Limited

January 1996

### CONTENTS

News	2.9	Postscript	13	Markets	25	Recent Issues	36
European News	3.0	Leaders Page	13	Commodities	25	Share Information	36.29
International News	3.1	Letters	12	FT Activities	26	London SE	32
Asia-Pacific News	3.2	Observer	13	FTSP-A View Index	26	Wall Street	33.36
American News	3.3	Technology	10	Foreign Exchanges	27	Bourses	33.36
World Trade News	3.4	Arts	11	Gold Markets	27	Survey	33.36
UK News	3.5	Arts Guide	11	Int. Bond Service	28	Access to US	34
Weather	3.6	Crossword	25	Managed Funds	30.31	Capital Markets	34.34
Lex	3.7			Money Markets	30.31		

## Brussels plan to clean up mergers mess

By Emma Tucker in Brussels

When medium-sized companies in different EU countries propose a merger, a good deal of paperwork, confusion and time wasting can be ahead as lawyers seek to clear the deal with all relevant competition authorities.

Procedures are far from uniform. Luxembourg, Finland, and Denmark have no national competition authority; in France, Spain and the UK, notification is not obligatory. Turnover thresholds triggering a notification vary across the Union from less than £500,000 (£413,337 for individual company turnover, to £500

# Clinton peace envoy turns to Aegean

By Karin Hope in Athens, John Barham in Ankara and agencies

Mr Richard Holbrooke, the US envoy to the Balkans, yesterday announced a new diplomatic initiative to defuse Turkish-Greek tensions and avoid the recurrence of armed stand-offs in the Aegean.

The latest shows of force eased yesterday, to the relief of Nato governments, as warships from Greece and Turkey withdrew from the disputed Imia islets under strong pressure from President Bill Clinton.

But Mr Holbrooke, reflecting profound US concern over the crisis, said he would turn his attention to the Aegean next month instead of embarking on a previously planned effort to solve the Cyprus problem.

Turkey is "the new frontline state of Nato (and) you cannot have the southern flank of Nato in constant tensions", he said.

This week's three-day crisis, the worst between Greece and



Turkey since 1987, was a troubling reminder of the mistrust between two national allies whose representatives at Nato headquarters in Brussels are barely on speaking terms.

The shows of force also highlighted the stridently nationalistic climate of domestic opinion with which governments in both Athens and Ankara are obliged to contend - whether they actively cultivate the sen-

timent or try to calm it down. The White House said President Clinton was "satisfied" that his telephone calls had an impact (which) was very shortly seen in the agreement that was reached.

Turkey's government and media declared victory after Greece removed its troops and flag from the barren four-hectare rock. Mrs Tansu Ciller, the caretaker prime minister, appeared to have enhanced her own position during Turkey's post-election political impasse.

"I promised the Turkish people that Turkey does not have even one single stone to give," she said.

"I promised that [Greek] soldiers would go, that [their] flag will go. As of today [their] flag has gone and the soldiers have gone," she added.

Her stance received strong backing from the Turkish press, which had played a significant part in arousing public opinion over the issue in the first place.

The interstat TV channel

covered the withdrawal of Turkish troops from one of the disputed islands with Ottoman military music playing in the background, and a subtitle stating "victory returns".

However, Mr Necmettin Erbakan, the leader of the Islamist Welfare party, denounced Mrs Ciller for having compromised under western pressure.

"Why are we taking our own flag down and withdrawing from our own soil?" Mr Erbakan demanded to know.

Greece's new prime minister, Mr Costas Simitis, faced an even broader barrage of domestic criticism for having swallowed his pride and backed down from a pledge made on Tuesday that the flag would remain in place.

Opposition conservatives walked out of the Greek parliament, and even left-wing newspapers which support the Socialists criticised the new government.

This week's confrontation was particularly dangerous

because both countries are in a state of political transition. Mr Simitis, in his first test after being sworn in earlier this month, has had to fend off charges of betrayal. By contrast, Mrs Ciller appears to have been strengthened by playing to nationalists.

Athens moved last year to assert its sovereignty in the Aegean, planting flags on uninhabited Greek islands off the Turkish coast and promoting a plan for settlers to move to Greek islands deserted in recent years.

The latest conflict began last week when it emerged that in December, the captain of a Turkish ship that ran aground on the islet had refused assistance from a Greek tug, on the grounds that the territory belonged to Turkey.

Hürriyet, one of Turkey's best-selling newspapers, had escalated the crisis on Sunday when it sent a group of reporters to one of the disputed islets to replace a Greek flag with a Turkish one.

## EUROPEAN NEWS DIGEST

# Bundesbank cuts repo rate

Short-term German interest rates were given a significant nudge downward yesterday when the Bundesbank's securities repurchase rate dropped 0.15 points to 3.4 per cent, its lowest level for more than eight years. The relatively steep fall in a rate which guides Germany's short-term money market rates, triggered an identical drop in the Belgian central rate to 3.4 per cent.

The repo was last set below 3.4 per cent in November 1987, when it stood at 3.25 per cent. But while yesterday's drop prompted speculation about cuts in the discount and lombard rates, the general view in Frankfurt was that today's meeting of the Bundesbank council would leave these unchanged at 3 per cent and 5 per cent respectively.

Bankers argued that the Bundesbank would want to assess the effects of its half percentage point reductions in the discount and lombard in mid-December before acting again. After relatively strong money supply growth in December, the bank was expected to wait for January's money supply data, due in the second half of February, before considering further action.

Mr Ulrich Ramm, the head of Commerzbank's economics department, pointed out that rate cuts could further unsettle long-term interest rates, which have recently moved up slightly after a protracted fall.

Peter Norman, Bonn

## Albania bar on ex-Communists

Albania's constitutional court yesterday ruled in favour of a law barring former Communists from office until 2002, dashing the hopes of leading opposition figures of running for parliament in this spring's general election. The government introduced the so-called genocide law last year to prevent officials of the former Communist regime standing for parliament or applying for jobs in the judiciary or state media until the year 2002.

The court also backed a law calling for the creation of a nine-member committee with access to former secret police files. The committee will issue certificates to politicians stating they did not collaborate with the old regime, which will then allow them to stand in elections. The court chairman said in his ruling: "It is the authors, creators and enforcers of that savage and inhuman dictatorship (Albania's four-decade Stalinist regime) that the constitutional law denounces."

The outcome has drawn an angry response from the two opposition parties, which branded the court a tool of President Sali Berisha's governing Democratic party.

Rosier, Tirana

## Hoechst pledges improvements

The German chemical group Hoechst will allocate DM150m (£100m) to upgrade its monitoring, measuring and training facilities following protests over the way it reacted to two large chemical spills at the weekend. It may also consider closing one of the plants involved. In a contrite speech aimed at trying to restore public confidence in the company, Mr Jürgen Dornmann, its chairman, said there would be a thorough investigation into the accidents, why there had been no public information immediately after the leaks, and into communication problems between the company's various departments.

In the first accident, last Saturday, a lid blew off a large vacuum dryer and tore a hole in the roof of a plant in Griesheim, near Frankfurt. A ton of pesticide, containing a substance which causes cancer in rats, then spewed into the air. However, Hoechst employees took more than an hour to notify the company's fire department. In the second accident, on Sunday, chemicals boiled over for more than three hours in a distillation machine. In that case, the department waited until Monday before telling the company's spokesman.

Judy Dempsey, Berlin

## Berlusconi faces new charges

Anti-corruption magistrates in Milan have asked for Mr Silvio Berlusconi, the former Italian premier, to be sent for trial on a new charge of illicit financing of political parties. The request, embracing 21 people including Mr Bettino Craxi, the exiled former Socialist leader, relates to the channelling of allegedly illegal funds to politicians via the offshore subsidiaries of Mr Berlusconi's Fininvest business empire.

The move follows the handing over by Swiss judicial authorities last December of documents connected to Fininvest's financial transactions in Switzerland. Fininvest lawyers deny any of the funds passing through its offshore subsidiaries have been illicit.

Milan judges are considering two other requests for Mr Berlusconi to be sent for trial on charges of falsifying accounts and tax fraud. Mr Berlusconi was in court last month on charges of being involved in bribes paid to members of the Guardia di Finanza, the financial police, to ensure favourable tax inspections of Fininvest companies.

Robert Graham, Rome

## Buying back the Berlin Wall

Former owners of ground occupied by the Berlin Wall will be allowed to have their property back, provided they pay a quarter of the current market value. Germany's governing coalition parties proposed yesterday. The compromise, reached after five years of wrangling between former owners and the finance ministry, could end a category of property disputes which has plagued investors in Berlin.

Those who had property along the eastern side of the Wall had not been entitled to restitution or compensation. The federal government, especially the finance ministry, had argued that since property along the Wall had been under the former east German defence authorities, these lucrative property sites should automatically pass to the federal government after reunification in 1990.

Yesterday's proposal was criticised by the opposition Social Democrats. They insist the property should be returned to its former owners immediately and without conditions, because they believe former owners are unlikely to be able to afford to buy back their property.

Judy Dempsey

## ECONOMIC WATCH

### French jobless total tops 3m

Unemployment in France broke through the politically sensitive 3m barrier in December, a further embarrassment for Mr Alain Juppé, the prime minister, whose top priority is tackling unemployment. The increase was despite government measures last year to boost employment. The seasonally adjusted figure rose by 29,000 in December to 3,019,400, a reflection of the stuttering economy, which expanded only 2.6 per cent last year. Unemployment, which started rising in August, is expected to continue deteriorating during the first half of the year. Recent estimates suggest economic growth this year might be only 1.6 per cent, against the 2.8 per cent level required to compensate for jobs lost through corporate productivity gains. The latest figures will also further undermine consumer confidence, which the government has tried to bolster this week with a cut in base rates and a 25 per cent tax deduction on loans for consumer goods for two years after purchase.

Paul Abrahams, Paris

Finland's gross domestic product rose in November by 0.2 per cent month-on-month and 2.9 per cent year-on-year. Austrian unemployment in January was 3.7 per cent, compared to 3.9 per cent in December.

# A leftwing lawyer vets Polish verdict

Anthony Robinson

emergence of Mr Józef Oleksy as the most likely successor to the disgraced Mr Józef Oleksy as prime minister of Poland's leftwing coalition government could be the first step towards healing the political wounds reopened by the recent presidential election campaign and the forced resignation of Mr Oleksy.

The 45-year-old lawyer comes from the ranks of former communists who turned over a new political leaf when the communist party disbanded after its humiliating moral defeat in the semi-free elections of autumn 1989.

But, while most other former communist supporters joined the Social Democratic party led by Mr Alexander Kwasniewski when it was formed in 1990, he remained outside it.

This unwillingness to join the main successor party to the Polish United Workers' party - the full name of the old communist party - while remaining on the left of the historical dividing line of Polish politics, reflects his determination to maintain a degree of political independence.

His distance from the mainstream post-communist party makes him more acceptable to the Peasant party (PSL), the junior coalition member, which had earlier proposed one of its own candidates as prime minister. But in practice the PSL, a single issue party which serves the interests of farmers, is more interested in retaining power than retaining the premiership.

The PSL's grudging acceptance of Mr Cimoszewicz as prime minister is likely to be paid for by concessions in other areas. It wants more influence over key ministries such as privatisation, cur-

rently held by Mr Wiesław Kaczmarek, a strongly pro-privatisation SLD member.

Mr Cimoszewicz could also be more acceptable to those within the opposition Freedom Union, the former Solidarity party, who argue that Poland needs a political realignment to replace historical divisions with new alliances based on common interests.

In key areas such as European Union and Nato membership, privatisation and free trade, the reform wing of the SLD has more in common with the free-market wing of the Freedom Union than with the protectionist and xenophobic Peasant party. If he manages to win sufficient support from the current coalition to win a



Cimoszewicz: A leftwinger known for his independent views

vote of confidence within the next 14 days, Mr Cimoszewicz could cautiously move towards a Polish-style "historic compromise".

In 1980, when the memory of communist rule was still fresh and leftwing prestige at a low ebb, Mr Cimoszewicz stood as the leftwing presidential candidate, but it was a quixotic gesture. He was eclipsed by the first round by an obscure Canadian-Polish businessman called Stan Tyminski.

However, he became minister of justice when the former communists returned to power in September 1993 and then deputy speaker of parliament after the reshuffle on March 1995 which gave Mr Oleksy the premiership.

Mr Cimoszewicz could cautiously move towards a Polish-style "historic compromise".

In 1980, when the memory of communist rule was still fresh and leftwing prestige at a low ebb, Mr Cimoszewicz stood as the leftwing presidential candidate, but it was a quixotic gesture. He was eclipsed by the first round by an obscure Canadian-Polish businessman called Stan Tyminski.

However, he became minister of justice when the former communists returned to power in September 1993 and then deputy speaker of parliament after the reshuffle on March 1995 which gave Mr Oleksy the premiership.

# Russian raises doubt on Start 2

By Chrystia Freeland in Moscow

A senior politician warned yesterday that the Russian Parliament was unlikely to ratify the Start 2 nuclear arms reduction treaty with the US before the presidential elections in June.

Mr Vladimir Lukin, chairman of the parliament's foreign affairs commission, said that the Communist-dominated legislature would probably block President Boris Yeltsin's promise to secure approval by mid-April.

The US Senate ratified the treaty last week, adding to the international pressure on the Kremlin to push the deal through in Russia. Over the weekend Mr Yeltsin sought to appease his foreign counterparts by promising to persuade parliament to approve Start 2

before a summit meeting on nuclear security due to be held in Moscow in mid-April. His government is presently in tricky negotiations with the International Monetary Fund for a \$9bn loan.

But Mr Lukin, a former Russian ambassador to the US who strongly supports the agreement, warned yesterday that trying to push the agreement through a hostile legislature prematurely could backfire.

"If we are talking about April, this seems unacceptable," he said. "I would rather have this important treaty ratified after the elections than have it rejected before then."

Mr Yevgeny Primakov, the foreign minister, said yesterday he hoped parliament would ratify Start 2 this spring, but added that even if the legislature endorsed the treaty it might attach new

conditions. "But we hope the essence of the pact will not be subject to revisions."

Earlier this week, Communist and nationalist politicians, who are gearing up for the presidential poll scheduled to be held on June 18, raised fierce objections to Start 2 and warned they might vote against it in parliament.

Together, the Communists and ultra-nationalists could easily defeat the accord.

In an attempt to appeal to the increasingly nationalist mood of the disgruntled Russian electorate, both Communist and ultra-nationalist politicians, including Mr Gennady Zyuganov, the urban Communist party leader, warned that Nato's plans to expand eastward could force Russia to reject the arms reduction deal in order

to maintain its great power status.

But the US, which fears an even stronger anti-western shift in Russia after the presidential vote, has increased political and diplomatic pressure on the Yeltsin administration to secure approval for the treaty this spring. Some observers believe that rejection of Start 2 in Russia could also have an impact on presidential elections this year in the US because of the strong support the Clinton administration has given Mr Yeltsin from the outset.

When it was signed in 1993, Start 2 was hailed as a historic breakthrough in efforts to cut the world's nuclear arsenals. It obliges both states to cut their strategic nuclear stockpiles to between 3,000 and 3,500 weapons each, about half their present level.

Editorial comment, Page 21

# EU patent licensing reform shelved

By Caroline Southey in Brussels

The European Commission yesterday bowed to industry pressure and abandoned controversial plans for a radical reform of rules governing the licensing of patents in the EU.

Following fierce opposition from European industry, Mr Karel Van Miert, commissioner for competition policy, was forced to drop proposals that would have barred companies with more than a 40 per cent share of a market from taking advantage of exemptions from competition rules for technology licensing agreements.

Instead the Commission limited

itself to streamlining the rules governing how companies reach exclusive licensing agreements to protect their patent rights or technical know-how in technology licensing agreements.

Mr Van Miert said the thrust of the reforms was to "simplify things" by rolling together two sets of rules - those covering licensing block exemptions for patents, and those covering know-how - to create a new technology transfer block exemption regulation.

EU officials said the changes would reduce regulatory costs for companies as licence agreements contained elements of both know-how and patents.

European industry representatives welcomed the announcement. "Everyone is pleased that the regime has been streamlined and made more user friendly. But the Commission risked undoing all the good that has been achieved for industry by attempting to impose an unworkable market share limit," said Mr Alec Burnside, a partner at the law firm Linklaters & Paines in Brussels.

The Commission had proposed that companies with more than 40 per cent of a market would be obliged to notify the Commission of licensing agreements.

They will not now have to do

so although the Commission, if made aware, will pay special attention to agreements between companies which hold more than 40 per cent of the market. If the Commission decides an agreement has led to "complete distortion of competition", it can withdraw the benefits of the block exemption. This would involve the Commission scrutinising, and possibly prohibiting, the deal.

Mr Van Miert stressed that the question of market share would be considered as an "element in the assessment of an agreement". The fact that a company has 40 per cent market share will not in itself mean the Commission will

reach a negative decision," he said.

The block exemption sets out a "white list" of provisions companies can include in their agreements without falling foul of the competition rules, and a "black list" of conditions which are not allowed. Provided an agreement contains no blacklisted conditions, a company can assume it is exempt.

The Commission's original proposal emerged because of fears block exemption had enabled big business to monopolise the market in certain products and prevented access to new technology by outsiders.

THE FINANCIAL TIMES  
Published by The Financial Times (Europe) GmbH, Neuhofstrasse 1, 60118 Frankfurt am Main, Germany. Telephone +49 69 156 550. Fax +49 69 596 481. Registered at Frankfurt by J. Walter Brand, Wilhelm J. Bräsel, Colin A. Kennard as General Managers and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times Ltd, London and F.T. (Germany) Advertising Ltd, London. Shareholders of the above mentioned two companies in The Financial Times Limited, Number One Southwark Bridge, London SE1 9PL.  
GERMANY:  
Responsible for Advertising: Colin A. Kennard. Printer: Hürthel International GmbH, Admiral-Rosenfeld-Strasse 3a, 63523 Neu-Isenburg. ISSN 0174 7363.  
FRANCE:  
Responsible Editor: Richard Lambert. The Financial Times Limited, Number One Southwark Bridge, London SE1 9PL.  
FRANCE:  
Publishing Director: P. Marvillat, 42 Rue la Boétie, 75008 PARIS. Telephone (01) 576 3254. Fax (01) 576 3253. Printer: S.A. Nord Editeur, 1921 Rue de Calixte, F-91100 Roissy-CDG. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 679808.  
SWEDEN:  
Responsible Publisher: Högberg Carney 408 18 6088. Printer: AB Kvaliteitenstryckeriet. PO Box 6007, S-550 96, Jönköping.  
© The Financial Times Limited 1996.  
Editor: Richard Lambert, One Southwark Bridge, London SE1 9PL.

## Civilian co-ordinator begins 'implementing' peace in Bosnia

## Bildt plays midwife at rebirth of nation

By Lionel Barber in Brussels

A month after taking on one of the toughest jobs in international diplomacy, Mr Carl Bildt, the civilian co-ordinator in Bosnia, is up and running. He has offices, phones, a team in place in Brussels and Sarajevo, and most important, money. This is progress. In the New Year, Mr Bildt was so strapped for cash that he withdrew DM300,000 (\$200,000) from a European Union account in Brussels, stuffed it in a suitcase, and spent it in Sarajevo setting up shop.

The contrast with Nato's smooth deployment of the force peacekeeping force prompted US criticism that Mr Bildt had made a sluggish start. But now that the Nato-led military operation is virtually in place and the former warring parties in Bosnia are broadly complying with the provisions of the Dayton peace accords, Mr Bildt is coming into his own.

His job - reporting to nearly a dozen international agencies including the EU and the United Nations - is to "implement" the peace. He must oversee tasks such as policing, humanitarian aid, and reconstruction. Above all, he must prod Serbs, Croats and Bosnian Muslims toward rebuilding a shrunken nation ripped apart on ethnic lines in the worst war in Europe since 1945.

"The military side in Bosnia is of critical importance, but it

is not decisive," said Mr Bildt during an interview this week in Brussels. "Economic development is the key to political stability."

This week, he told EU foreign ministers that the difference between success and failure in Bosnia would be clear by the end of the year. By that time, elections should have taken place and the joint political institutions should be operating independently of Ifor (which is due to withdraw after one year anyway).

Unless the joint political institutions were in place, said Mr Bildt, there was little chance of solving the country's horrendous economic problems or ending a situation where more than three in four people depended on foreign food aid. It was a typically robust performance. A former prime minister of Sweden, Mr Bildt, 46, has a touch of youthful brashness as well as a first-class brain. These qualities have sometimes grated, notably with Mr Hans van den Broek, the EU commissioner for external political affairs, who views Bosnia as his priority.

In his interview, Mr Bildt made clear that he sees economic reconstruction driving political reconciliation. His worry is that "the wheels are turning too slowly". The World Bank, co-leader with the EU on reconstruction, is favouring projects in Bosnian Muslim territories to the exclu-

sion of the Republika Srpska.

Bank officials argue that their work has been hampered by lack of access to the Bosnian Serb territories. But Mr Bildt says that now there is freedom of movement on the Serb side, "visible" projects are needed to encourage the forces of moderation in the autumn elections.

He believes free elections will help resolve vested issues such as war crimes. "Radovan Karadzic [the Bosnian Serb leader] is not going to turn himself over voluntarily. You need to change the political landscape."

Mr Bildt is alert to charges that he may be tilting too far toward the Bosnian Serbs in his search for political reconciliation. Therefore, he intends to produce a far-reaching assessment of human rights at next June's international peace implementation conference under the chairmanship of Italy, which currently holds the EU presidency.

He also wants the Union - which is expected to stump up more than a quarter of the estimated Ecu4bn (\$5bn) for Bosnian reconstruction - to take the lead in promoting regional co-operation between the Bosnian Federation, Croatia, Serbia, and the Republika Srpska, and other former Yugoslav republics.

Once again he is walking through a political minefield: the US is adamant that assis-



Mr Carl Bildt pictured last autumn in Sarajevo at the height of his mediation effort

tance must be tied to human rights and retribution against war criminals. Mr van den Broek and the European Commission stress that each republic should be treated on its individual merits.

Mr Bildt is clear that much is riding on Bosnia, not just for the EU but also for the transatlantic alliance.

"This is an example of US and Europe working together. When they did not co-operate in 1993 and 1994, it had a negative impact on negotiations to end the war. When they

started to sing the same song in 1995, the situation changed."

Hence his message to Washington to stay the course and not to focus solely on an "exit strategy" in a presidential election year. "We need the Americans involved, politically and economically."

Yet he agrees that the Bosnia operation has limits. "We are not going to be involved at this high level for more than a year. In the end, we have to say to the parties that it is your peace, your future. And the clock is running."

## Scalfaro gives party leaders time to reflect

By Robert Graham in Rome

President Oscar Luigi Scalfaro yesterday delayed a decision on resolving Italy's three-week government crisis in order to give political leaders a final 24 hours of reflection.

He appeared to be hoping that sufficient consensus could be found on a formula to proceed with constitutional reforms, including reinforcing the prime minister's role.

Throughout the day there were conflicting signals on the possibility of an agreement that would require a government to last at least 18 months in order to overhaul the constitution.

Members of Forza Italia, the rightwing movement headed by former premier Silvio Berlusconi, were optimistic agreement could be reached. They also indicated their allies in the rightwing National Alliance had accepted a compromise over the new powers to be accorded the prime minister and head of state.

Mr Massimo D'Alema, leader of the Party of the Democratic Left, and the dominant figure in the centre-left coalition backing the outgoing premier, Mr Lamberto Dini, said progress had been made. But he warned that the Berlusconi camp was still divided on who should be the next prime minister and the precise nature of the reforms.

President Scalfaro yesterday wound up two days of consultations - the third round since Mr Dini was forced to resign on January 12 after he completed his limited mandate.

He has three basic paths open to him:

● to conclude that an agreement between the parties is impossible and call elections in mid-April;

● to appoint a prime minister to manage a government until June, to handle Italy's EU presidency and prepare the 1997 budget;

● to ask someone to consider heading a government to draw up institutional reforms and manage the economy with a view to elections in mid-1997.

The president is extremely reluctant to dissolve parliament and most political leaders are anxious to avoid elections this year. This may prompt him to ask Mr Dini or a prominent political figure such as Mr Giuliano Amato, a former premier, or Mr Carlo Scognamiglio, the Senate speaker, to explore further the chances of forming a more lasting government.

Cautious political commentators pointed out that negotiations have proved so tortuous over the past 20 days that any deal risks coming undone quickly. This in the end may force President Scalfaro to conclude the best solution is to opt for a June election.

## Clamour to start at bottom of EU

By Hugh Carnegie in Stockholm

Indignation over revelations that a European Union official in Helsinki was paid more than the prime minister has prompted Finland to question the level of EU salaries with its Union partners.

Finland's finance ministry said yesterday it wanted a discussion about the pay and allowances for EU employees when talks begin this month on the Union's 1997 budget.

"Our idea is not as such to bring about lower pay," said Mr Vesa Rantala, the finance ministry official charged with investigating the issue. "Our basic concern, like other countries, is to achieve maximum cost efficiency in the EU. But it might in the longer term mean that these EU pay levels will adjust more in line with national pay levels."

Mr Rantala said his department's research showed that EU officials received two to three times more in net remuneration than their Finnish counterparts.

The Finns are set to receive enthusiastic backing from the neighbouring Sweden. The issue is a potent weapon for the anti-EU camp in the two new EU members, especially in Sweden, where opinion polls show a majority of the electorate hostile to membership.

The fierce debate erupted when it emerged recently that a Finnish journalist hired to be the information officer at the EU delegation office in Helsinki was paid some \$3,000 per month more after tax than Prime Minister Paavo Lipponen.

Mr Iiro Viinanen, then the finance minister, denounced the difference as unacceptable. Mr Viinanen later resigned after five years as finance minister to join the private sector as chief executive of the insurance group Fohja.

According to the Finnish media, EU salaries are so attractive that 700 Finns applied recently for a caretaker vacancy advertised by the EU.

## Denmark urged to tackle Commission over feta decision

By Hilary Barnes in Copenhagen

A European Commission proposal to stop Denmark selling soft white cheese as feta would be "bound to have an influence" on prices in the dairy sector throughout Europe, according to the Danish dairy industry.

The Commission proposal that feta be defined exclusively as sheep's milk cheese made in Greece would force the Danish industry to dump cheese it currently exports as

feta on to the European market, said Mr Hans Arne Christensen, an official of the country's Dairy Board.

If the EU commission proposal was implemented, these EU export subsidies for Danish feta would cease. Mr Christensen said the consequent rise in the price in Iran, Saudi Arabia and other Middle Eastern countries would cause the Danish market for feta to collapse.

"We would have to find an alternative market for the product more

or less overnight. It would be bound to have an influence on the price level throughout Europe," he said.

Denmark is responsible for about six per cent of European Union cheese production - it made about 290,000 tonnes last year of which about 260,000 tonnes a year was exported. About a quarter of Denmark's output - about 74,000 tonnes - was feta, almost all of which was exported. Nearly half of Denmark's exports, including about 65,000 tonnes of feta, is exported to non-EU

countries, with the support of substantial EU export subsidies.

Commission officials argue that the Danes can still export their feta under another name.

But the Danes say there is a second EU threat to their feta export - the commission has proposed, under food additive rules, to ban the use of a bleaching agent, Patent Blue, with effect from July 1. Without this agent, Danish cow's milk feta will be yellow, instead of white, the natural colour of Greek feta.

The Dairy Board doubts whether consumers would buy yellow feta, sold under a new name as readily.

The industry is in talks with the commission to find a solution. Danish feta production has fallen from a peak level of about 120,000 tonnes a year as export markets - notably Iran - have weakened.

Producers have diversified into other milk products without upsetting the European market, but Mr Christensen said this happened over several years and could not be

compared with the problems that an overnight stop to exports of large quantities of feta outside the EU would cause.

The Dairy Board is urging the Danish government to take legal action to stop the Commission implementing its decision, or to have the decision declared null and void, on the grounds that the decision is in conflict with the 1992 Council resolution laying down European law on geographic name protection.

## NEWS: INTERNATIONAL

## Global fund managers make tracks for Africa

The 'final frontier' of the world's emerging markets is producing dramatic returns, writes Jeffrey Gettleman

Ms Marianne Hay is so bullish about Africa that she has invested a third of her personal savings in African markets.

"The region has just finished making the necessary changes that other emerging markets underwent years ago," said Ms Hay, manager of the \$350m Morgan Stanley Africa Investment Fund, the largest specialist fund on the continent.

Africa, usually associated with debt, disease and disaster, is now earning itself a name for healthy returns for foreign investors. Over the past 12 months, investors in the continent's emerging markets have seen their outlays grow by 40 per cent.

Africa is considered the final frontier of the world's emerging markets. In 1993, only 4 per cent of emerging market portfolios flowed to the region. But after South Africa's transition to democracy in April 1994, and a wave of market reforms in many neighbouring countries, Africa's investment climate is becoming much more hospitable.

Fund managers, eager to diversify their portfolios and aware of the shrinking gains from more mature emerging markets, are attracted to Africa. More money flowing to the region has increased activity on the region's bourses and improved local business practices. "The presence of Africa funds means big chunks of money are out there which provide incentives for privatisation and put pressure on governments to improve their policies," said Mr Kader Alloua, senior economist at the International Finance Corporation in Washington, the private sector arm of the World Bank.

Within the past two years, 12 institutions have formed Africa funds worth nearly \$1bn. Last November, Baring Asset Management, Framlington and GT Management all launched funds in London. Most of the funds are close-ended, listed on stock exchanges in London and New York and aimed at large institutions which can bear the high risk usually associated with emerging markets. However, a few of the unlisted funds, such as the \$9m Credit Suisse South Africa Fund, offer individuals a chance to invest as little as \$1,600.

On average Pan Africa funds have at least 30 per cent of their investments in markets outside of South Africa and a number of funds such as the \$40m Framlington West Africa Growth Fund have been launched to invest exclusively in the region's smaller markets.

According to Mr Miles Morland of Blakeney Management which specialises in research on Africa and the Middle East, the first wave of Africa funds created in early 1994 concentrated heavily on South Africa. But this had changed recently and the split was now 55/35 in favour of other African markets.

He believes South Africa's share will continue to decline over the next two years as interest in other African markets continues to grow.

While many of the world's emerging markets were still

queasy in 1995 from the so-called *equity effect* of Mexico's financial crisis in December 1994, fund managers point out that African markets surged, with gains exceeding 100 per cent in dollar terms in Nigeria and Ivory Coast.

Until recently, the majority of Africa's 16 stock markets were closed to foreigners, while many of the largest companies were government-controlled. But at the same time as foreign investment restrictions were abolished over the last three years, hundreds of state-owned enterprises were privatised. That allowed foreign investors to snap up stakes in African companies at attractive prices.

This year will be another big year for new issues. Kenya Airways, the largest airline in East Africa, is scheduled to have a public listing in April following a deal signed with KLM last week; and Zambia

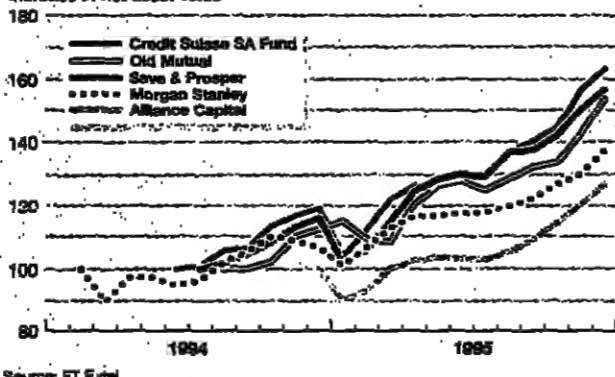
Consolidated Copper Mines, one of the world's largest copper producers, is intended to be privatised later in the year. "African governments are beginning to realise that equity can be a great way to raise money," said Mr John Niepold, manager of the Washington-based \$55m Africa Emerging Market Fund. "The region is finally starting to follow the rest of the world, and investment attitudes are changing."

Fund managers like Mr Niepold are not only banking on this change, they are helping ensure that it happens. The absence of custody used to be the biggest impediment for foreign investment in Africa: the Securities and Exchange Commission requires managers of US-registered funds to use custodial banks like State Street of Boston to safe-keep certificates of ownership for overseas equity settlements.

"We've pushed custodial

## Top five performing Africa funds

Increases in net asset value



Source: FT Edit

banks very hard, and because of us, there's now custody in all African markets," said Mr Niepold. Africa funds have also helped improve liquidity in markets attractive to fund managers such as Botswana, Ivory Coast, Mauritius and Zimbabwe. In Harare the volume of trading has increased by 400 per cent since the bourse opened to foreigners in June 1993. Today Africa funds account for 60 per cent of the \$80m of net foreign investment, according to information from consultancy Fund Research and the Zimbabwe stock exchange. "Because they don't hold on to stocks as long as locals, fund managers are making this market much more liquid," said Mr Savvas Kyriakides, a Harare stockbroker.

The presence of foreign funds is reinvigorating not only African finance but also African business. "Fund managers demand up-to-date, accurate corporate reporting and as a result, disclosure has been rapidly improving," said Christopher Hartland-Peel, a London-based specialist on African markets.

Local brokers, who previously provided little or no market analysis, are also reforming the way they do business, said Mr Kader Alloua, executive director for Africa at Lehman Brothers, the US investment bank. "African brokers are becoming a much more professional community, providing us with useful research," he said.

The impact of Africa funds is not limited to the private sector: government macroeco-

nomic policy in Africa seems to be yielding to the influence of foreign investment.

"The presence of Africa funds is helping increase the pressure on African governments to produce sound economic policies," said Mr Kader Alloua, an IFC economist. However, volatile exchange rates and rising inflation remain concerns.

Foreign funds of \$1bn cannot be expected to cure Africa's financial ills, and reform must continue, said Mr Michael Power, Baring's global strategist. "Political instability, exchange rates and illiquid markets are still big risks for foreigners," he says.

Zimbabwe's national newspaper publisher, is an example of that illiquidity. Its value increased by 141 per cent in 1995. Because of the lack of share activity, however, an investor would be unlikely to be able to purchase more than 200,000 shares, worth less than \$100,000, without driving the price up. And then he might well be unable to sell the shares for months, according to one local broker.

"The pickings are lean," said Dr Mark Mobius, who manages \$7bn of worldwide funds for Templeton, and recently returned from a bargaining trip to the continent. "But all the signs of reform have been encouraging, and now's a good time to look for deals in African markets."

Mr William Murungu, of Discount Securities in Nairobi, agrees. "If foreigners come today, I can't see them making losses here."

## INTERNATIONAL NEWS DIGEST



## Lebanon tries to curb deficit

The Lebanese parliament yesterday approved a L\$4.450bn (\$4.15bn) 1996 budget after a stormy five-day debate in which deputies heavily criticised the government of Prime Minister Rafik al-Hariri, above. Two ministers walked out in anger on the final day and a prominent opposition deputy wrote out his resignation, handed it to the Speaker and stormed out as accusations flew across the chamber and tempers flared.

The government described the 1996 budget as a serious attempt to reduce spending, curb the ballooning public debt and put public finances in order. It sets 1996 income at L\$4.023bn, 28 per cent up on 1995, and expenditure at 15 per cent above last year's figure.

The budget includes a 38 per cent deficit of income against expenditure compared with a planned 44 per cent shortfall last year, which the government exceeded.

Deputies called the plan optimistic and doubted that the government could hold the deficit to 38 per cent. According to financial sources the final 1995 deficit was around 47 per cent. The 1994 deficit reached 57 per cent after parliament approved 43 per cent. Some economists have expressed concern about inflation and currency stability if heavy deficits continue.

Reuters, Beirut

## Tajik rebels launch big attack

Rebels in Tajikistan supporting an Islamic opposition launched a large-scale attack yesterday against government troops, the defence ministry said. The attack in the former Soviet republic took place as talks were under way between the Tajik government and opposition to end their bloody conflict.

The rebels, supporters of Moslem and democratic groups, were defeated in a vicious 1992 civil war and many fled south to neighbouring Afghanistan. They now wage cross-border raids aimed at destabilising the government of President Emomali Rakhmonov. Mr Rakhmonov is backed by Moscow and propped up by thousands of Russian troops stationed along the border with Afghanistan.

In Moscow, President Boris Yeltsin said that Russian soldiers would not engage in combat operations in Tajikistan. He said they would help guard military facilities and the border. Mr Yeltsin claimed to be responding to reports that visits to Tajikistan over the weekend by his defence minister, foreign minister and top security officials indicated Russian forces were preparing for "large-scale" combat in the Central Asian republic.

AP, Dushanbe

## IMF deal closer as Kenya acts on port corruption

By Michael Holman, Africa Editor

Prospects for an end to the three-year stalemate in relations between Kenya and the International Monetary Fund rose yesterday with the appointment of a respected businessman as chairman of the troubled Kenya Ports Authority.

The government's failure to tackle corruption at the port has been one of the obstacles to agreement on a \$200m IMF

enhanced structural adjustment facility for Kenya.

The choice of Mr Robert Brenneisen, a former managing director of the Bamburi Portland Cement Company, was seen as further evidence that the government has taken seriously widespread complaints about mismanagement at Mombasa's port.

The authorities recently forced the port's managing director and 17 senior civil servants to go on leave to permit investigations of corruption.

The investigation was prompted by the disappearance of more than 1,200 vehicles impounded by Customs prior to a public auction, and estimated to have cost Kenya K\$7.5bn (\$33m) last year.

Although the chief executive of the Ports Authority is the managing director, Mr Brenneisen could nevertheless wield considerable power, having been appointed by President Daniel arap Moi.

Other issues, including the IMF's concern at levels of state

spending and the need to increase government revenue, are thought to have been brought close to resolution following nearly two weeks of talks with a visiting IMF team.

The Kenyan cabinet is expected to discuss IMF proposals in the next few days, and an official announcement on the outcome could be issued by mid-February, say officials.

If agreement is reached with the fund, the World Bank will release more assistance, and leading bilateral donors,

including Britain, are expected to resume programme aid.

Opposition politicians remain sceptical about government intentions, doubting that the latest anti-corruption measures will be followed through.

Mombasa is the largest port on the Indian Ocean's African coast north of Durban, South Africa, and serves Uganda, Tanzania, Burundi, Rwanda and north-eastern Zaire.

Port users complain not only of corruption, but delays in loading or unloading ships and

in clearing goods through customs. Users outside Kenya have threatened to switch to Dar es Salaam in Tanzania.

Local port users welcomed Mr Brenneisen's appointment and hoped it would lead to increased efficiency.

"Congestion has been the main problem at the port and when you have that, people are going to seek favours and corruption is a favour," said Mr Gershon Kouditi, deputy executive director of the Federation of Kenya Employers.

## NEWS: THE AMERICAS

# Battered Democrats win Oregon

By Jurek Martin in Washington

Oregon is to have its first Democratic US senator in 28 years with the election of Congressman Ron Wyden to fill the remaining years in the term of Senator Bob Packwood.

Mr Wyden, a 15-year member of the House of Representatives, narrowly beat Mr Gordon Smith, a conservative agribusinessman and Republican state senator, by 45-47 per cent, with four minor candidates splitting the remainder of the vote.

His victory, announced on Tuesday, is vital for a battered Democratic party as a launching pad for the national congressional campaigns later this year. It reduces the Republican majority in the Senate to 53-47. It also gives Democrats added hopes of capturing in November the second Oregon seat

now held by Mr Mark Hatfield, who has announced his retirement. Mr Packwood was forced to resign last year over charges of sexual harassment and had nearly four years to run.

The contest was the first congressional election ever conducted by postal ballot, held over a three-week period, and it won a turnout of about two-thirds of registered voters, very high by recent US standards. This helped Mr Wyden, because registered Democrats outnumber Republicans in Oregon by 45-38 per cent. But the other central factor in his success appears to have been that over the last three weeks he dropped much of the negative advertising that had marked the beginning of both campaigns, appealing to many voters fed up with a steady barrage of "slash and burn" radio and TV commercials.



Democrat Ron Wyden celebrates his narrow victory in his election to the US Senate in Oregon with his wife yesterday

Mr Wyden said afterwards that his state had sent out a national message that the Republican agenda in Congress was too extreme for most tastes. But whereas he had begun by painting Mr Smith as a clone of Mr Newt Gingrich, the House speaker, he increasingly emphasised the positive aspects of traditional Democratic policies on health, education and the environment.

His victory will come as

assurance to President Bill Clinton, who carried Oregon by nine points in 1992. But the president said yesterday he did not intend to align his own re-election campaign too closely with those of his party's congressional candidates. He thought an appeal to the country based on party loyalty alone "would probably be self-defeating." That implies recognition of the fact that presidential coat-tails have

been short or non-existent in most recent elections, with Americans quite possibly preferring a president of one party and a congress controlled by the other.

But congressional Democrats must take heart from Mr Wyden's victory, wafer-thin though it was. It builds on the slim evidence of last November's local elections in Virginia, Maine and Kentucky of a Republican tide on the ebb

after the 1994 mid-term landslide and subsequently in several defections of conservative Democrats in Congress.

The reappearance of the Senate, however, remains a long shot in spite of a recent spate of Republican retirements, including Senators Hatfield, William Cohen of Maine and Nancy Kassebaum of Kansas. Some surveys suggest the better Democratic chance may lie in the House.

## Fresh bands fail to push Brazil currency lower

By Jonathan Wheatley in São Paulo

The Brazilian Real held steady yesterday after the central bank paved the way for a possible greater depreciation of the currency.

The bank announced late on Monday a 7 per cent adjustment in the band in which the currency is allowed to trade against the US dollar. But in a series of currency auctions the bank held yesterday morning, the dollar remained unchanged against the Real from Tuesday's close of R\$0.978.

"The market has reacted very nicely," said the head of currency trading at a Brazilian bank. "There were some speculative attempts to test the central bank in early trading, but it acted quickly and markets are calm."

As the dollar moved towards the ceiling of the old band over recent weeks, speculation grew on financial markets that a change was coming. Mr Gustavo Franco, the central bank's director of international operations, said the bank decided to

after the band before speculation over an impending change unsettled currency markets.

He described the move as a continuation of existing policy. The bank has announced three alterations to its exchange rate bands since the Real was introduced in July 1994. After its introduction, the Real was trading at R\$0.86 against the dollar.

"Whether or not the Real passes through the psychological barrier of parity with the dollar depends on market forces," Mr Franco said. "The

central bank only determines the upper and lower limits." Nevertheless, Mr Franco conceded that the central bank monitors and regulates movements in exchange rates according to macro-economic indicators.

The central bank publishes upper and lower limits for the dollar/Real exchange rate. The new band puts the rate between R\$0.97 and R\$1.06 to the dollar; the previous band was R\$0.91 to R\$0.99.

In practice, however, the dollar trades within "minibands" estab-

lished through central bank currency auctions and adjusted periodically in line with market pressures. Since the end of last week, the dollar has been trading in a miniband of R\$0.978 to R\$0.983.

"We have no pre-set path for the exchange rate," Mr Franco said. "The central bank looks at a series of factors, including foreign trade and the balance of payments." The strength of the Real has caused problems for exporters; last year, Brazil recorded its first trade deficit since 1990.

## AMERICAN NEWS DIGEST

## Venezuela may lift forex curbs

Mr Luis Matos Azócar, Venezuela's finance minister, has told Congress the government is likely to remove foreign exchange controls on current transactions in May.

The lifting of controls, considered a necessary step in reaching a standby agreement with the International Monetary Fund, had been expected in the first quarter. A liberalisation of foreign exchange restrictions on capital account transactions, also in place since June 1994, would occur gradually after May, finance ministry officials said.

Mr Matos also said the current fixed exchange rate would in May be replaced by a system in which the bolivar would float within a band established by the government. Some economists think this may increase inflationary pressures which are already strong following December's 41 per cent devaluation. January's inflation rate jumped to 13 per cent and while the government estimates this year's inflation to be 50 per cent, independent analysts say 90 per cent is more realistic.

● The government has announced the sale of its remaining 49 per cent state share in the telephone company, CANTV. An initial 35 per cent share to be sold before the end of the year aims to raise \$1.6bn. *Raymond Collin, Caracas*

## US wholesale prices up 0.5%

US wholesale prices rose 0.5 per cent in December, the Labor Department said yesterday, matching November's rise as energy costs reversed declines of earlier months.

With the impact of often volatile food and energy prices removed, the closely watched core rate was much more benign, rising only 0.1 per cent following a 0.4 per cent increase in November. Energy prices were clearly the villain, jumping 3.3 per cent in December after falling for six months in a row. They fell 0.5 per cent in November. The department said the rise in energy was the largest since October 1990. Petrol prices jumped 11.8 per cent and heating oil was up 11 per cent. Food prices rose only 0.1 per cent after increasing 1.2 per cent in November. *Reuters, Washington*

## Samper calls for fresh probe

Colombian president Ernesto Samper, facing mounting calls for his resignation, has called in Congress for the immediate reopening of an official inquiry into charges he accepted drug money to finance his 1994 election campaign. He said the investigation should resolve the crisis as quickly as possible. He said he would conduct his own defence, following the resignation of his lawyer. As he left Congress Senator Maria Inez Quintero launched into a description of how she had collected over \$30,000 in cash from the campaign treasurer's house on Mr Samper's instructions, in the presence of a Cali cartel intermediary. *Sarita Kendall, Bogotá*

## Arch foes join hands in \$1bn camera launch

Kodak and Fuji seek to revive family market

By Christopher Parkes in Los Angeles and Michio Nakamoto in Tokyo

Eastman Kodak of the US has linked with arch foe Fuji Photo Film of Japan to launch the consumer photography industry's latest attempt to revive the slow-growing family snapshot market.

The advanced photographic system (APS) combines many of the advantages of conventional 35mm photography with the benefits of digital cameras.

The venture represents a gamble - unofficially ticketed at more than \$1bn - that the world brand leaders in the family camera business can persuade consumers to trade up and reduce the price-depressing influence of unbranded commodity film and camera makers.

In addition to Kodak and Fuji, the project includes Nikon, Minolta, and Canon.

Despite their collaboration on the project, Kodak has waged a campaign for US trade action against anti-competitive measures allegedly used by Fuji to dominate its domestic market for film. Fuji has vigorously denied Kodak's allegations.

But said that joint development of the new technology over the past five years, was

restricted to agreeing on a single APS format.

Joint work involved mainly technical staff, so while there may have been "emotional problems" stemming from Kodak's accusations against Fuji, co-operation on the APS was of a limited nature and largely unaffected by the trade dispute. For product development and marketing, each company is on its own, Fuji said.

The project's membership has raised criticism in the Japanese press that it is virtually a cartel. The companies involved hold a significant share of the world film and camera markets. Fuji and Kodak together have about 80 per cent of the US and Japanese markets.

This has raised fears that the participants might choose to trim production of conventional film and cameras in order to boost support for APS.

But does not deny there is a chance that 35mm will eventually disappear - Fuji would not disclose its own production schedule. But it has no plans to halt 35mm production and it believes it is unlikely that camera companies involved will stop making 35mm models.

The new cameras, laden with consumer-friendly features, are able to shoot in three picture

formats. The new 24mm film will be sold in enclosed cartridges which require no threading, and can be merely dropped directly into the new cameras.

Negatives are returned after processing sealed in the cartridges, together with an "index" of easy-reference thumbnail prints ready for storage in specially designed cases.

The film surface is magnetically activated to store and deliver data - ranging from lighting conditions to date and caption information - which may be required by the processor or camera user.

Mr George Fisher, Kodak chairman, in a ceremony last night hailed the new system as a "milestone" comparable with the introduction in 1900 of the Kodak Brownie and more recent successes such as the Instamatic and colour film.

The nine new Kodak APS cameras due on sale in April will be some 20 per cent smaller and up to 20 per cent more costly than comparable 35mm equipment. A single-use, throw-away APS camera will be included in the Kodak range, but the cheapest multi-use, "conventional" camera using the new format will cost about \$100.

## FT•JAPAN CLUB ANNUAL REPORT SERVICE

## BANK OF TOKYO

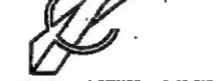
Takanashi Takahashi  
President and Chief Executive Officer

The Bank of Tokyo Group, Japan's premier global financial institution, has more than a century of international experience and more than 400 offices, subsidiaries, branches and associated institutions worldwide.

In the year ended March 31, 1995, the Bank posted the highest nonconsolidated net income of Japan's 14 major banks, and return on equity, at 4.8%, also ranked number one. In addition, the Group boasted a BIS capital adequacy ratio of 10.30%.

On April 1, 1996, the Bank of Tokyo and The Mitsubishi Bank, Limited, will merge to form the Bank of Tokyo-Mitsubishi, Ltd. The new bank, with superior capabilities to offer a broad array of financial services worldwide, will be well positioned to handle the challenges of the 21st century.

## Energia

Shimizu Takahashi  
President and Director

Founded in 1951, the Chugoku Electric Power Co. Inc. is one of Japan's 10 regional electric power utilities and maintains its head office in Hiroshima. The Company is a comprehensive supplier of electric power in the Chugoku region, with services encompassing generation, transmission, and distribution of electricity.

Situated in western Japan, the Chugoku region has a population of approximately 8 million people and covers an area of about 32,000 square kilometers.

While maintaining a total commitment to supplying superior services to its customers, Chugoku Electric will continue working as a responsible corporate citizen to promote regional industrial development as well as cultural, sporting, and other community-related events.

## HITACHI

Tadamasa Kanai  
President and Representative Director

The corporate principal of Hitachi, Ltd., which was founded in 1910, is to contribute to society through technology. In the 86 years since its inception, the company has become one of the world's leading manufacturers of electrical and electronic equipment, with fiscal 1994 consolidated sales of ¥7,592 billion. 844 consolidated subsidiaries, 238 of which are overseas companies, and more than 330,000 employees. Hitachi believes that corporate progress is driven by research and development. Annual expenditure of R&D amounts to over ¥490 billion, or about 7% of sales. Hitachi's main products are computers, semiconductors, telecommunication equipment, power generating equipment, industrial machinery and consumer products. Hitachi's shares are listed on eight stock exchanges in Japan and on exchanges in New York, Frankfurt, Amsterdam, Paris and Luxembourg.

## PIONEER ELECTRONIC CORPORATION

Seiya Matsunaga  
President and Representative Director

Pioneer Electronic Corporation is one of the world's preeminent manufacturers of AV (audio/video) products for home, commercial and industrial use. To further extend its scope of operations, exemplified by its renowned laser disc players and car navigation systems, Pioneer is currently devoting its resources and expertise to the development of advanced equipment for the multimedia age. Products targeted for an early market entry - and offering tremendous future market potential - include the DVD and next-generation large-screen color plasma and ultra-thin organic electroluminescent flat-panel displays.

Pioneer's quest is to satisfy customers with innovative products that incorporate its core technologies in ways which are uniquely Pioneer.

## SHISEIDO

Dedicated to the Science of Beauty and Wellbeing

Yoshikazu Fukuhara  
President and C.E.O.

Founded in 1872, Shiseido is one of the world's largest cosmetics companies, bringing a distinctive blend of science and aesthetics to its activities.

Shiseido manufactures and markets quality makeup and skin-care products, fragrances, toiletries, professional salon-use items, foods, and pharmaceuticals in more than 40 countries.

In Japan, the company also manages restaurants, fitness clubs, and fashion boutiques. In fiscal 1995, consolidated net sales reached US\$5,404 million, with consolidated net profits of US\$294 million before taxes. Net income per share was US\$0.29 and cash dividends were declared at US\$0.13 per share of common stock, on par with fiscal 1994.

For more information about Shiseido: <http://www.shiseido.co.jp/>

## TORAY INDUSTRIES



Founded in 1926, Toray Industries, Inc., is Japan's largest manufacturer of synthetic fibres and textiles, high-performance films, and engineering plastics. Toray leads the world in the development and production of carbon fibre and other advanced composite materials.

Building on its unique technological strength, Toray is diversifying into chemicals, pharmaceuticals, medical supplies, electronics materials, housing and construction materials and engineering.

A truly global enterprise, Toray's international marketing and manufacturing network spans more than 190 subsidiaries and affiliated companies worldwide. In all of the communities it serves, the company strives to play a full constructive role.

## FT•JAPAN CLUB ANNUAL REPORT SERVICE

Please send me these Annual Reports: Tick boxes ☐

- ☐ Bank of Tokyo.
- ☐ The Chugoku Electric Co.
- ☐ Hitachi.
- ☐ Pioneer Electronic Corporation.
- ☐ Shiseido Company Limited.
- ☐ Toray Industries.

Please attach your business card or write your name and address in this space. Please use BLOCK CAPITALS

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Company: \_\_\_\_\_  
Address: \_\_\_\_\_

Mail or Fax to: FT-Japan Club Annual Report Service  
PO Box 384, Sutton Surrey SM1 4XE United Kingdom (Fax: +44 81 770 3822)

## GENERAL PROCUREMENT NOTICE

### PROCUREMENT OF PRODUCTS AND SERVICES UNDER JAPANESE GRANT AID FOR ECONOMIC STRUCTURAL ADJUSTMENT OF THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

The Government of the Lao People's Democratic Republic has received a Grant Aid of 5 hundred million Japanese Yen from the Government of Japan to purchase products and services incidental to such products for public bodies and private sector companies of the Lao People's Democratic Republic.

Categories of products are:

- ☐ Petroleum products (Motor Gasoline & Gasoil)
- ☐ Cement (Portland & Mixed cement)
- ☐ Steel bars (Round & Deformed bar)
- ☐ Irrigation pumps
- ☐ Electric generators

Eligible source countries are all countries and areas except the Lao People's Democratic Republic. Firms or companies who are interested in supplying product(s) as mentioned above should submit to JAPAN INTERNATIONAL COOPERATION SYSTEM (JICS) the following information as soon as possible: Name and address of firms or companies, name(s) of person(s) in charge, telephone and facsimile number. This information is acceptable BY FACSIMILE ONLY. By return, JICS will send a FORM OF APPLICATION by facsimile, which is to be filled out and sent back with the required documents (e.g. balance sheet and statement of profit and loss in past 3 years, etc.) by registered mail, international courier service, etc. Only firms or companies who submit the FORM OF APPLICATION prior to pre-qualification (P/Q) will be registered. P/Q APPLICATION and will commence after 3 weeks from this publication as soon as necessary preparation is arranged. Criteria of P/Q shall be determined by each procurement and shall depend on procurement conditions such as the items nature, scale, delivery period, etc.

It should be noted, however, that JICS is not committed to contact ALL firms or companies expressing interest after receiving the above mentioned form.

Invitations to tenders to qualified firms or companies will be issued at a later date.

Procurement Office for Non-Project Grant Aid,  
Grant Aid Management Dept.,  
JAPAN INTERNATIONAL COOPERATION SYSTEM (JICS)  
P.O. Box No. 301,  
6th floor, Shinjuku Mitsui Bldg.,  
1-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-04, JAPAN  
TEL: 03 (5322) 2441-2444  
FAX: 03 (5348) 3840

# Widescreens may improve IT mergers reach record levels outlook for TV market

By Alice Rawsthorn

Widescreen television should provide a sorely needed source of growth for the sluggish European television market this year, as sales of new PAL-plus standard sets take off.

The latest figures from the European Association of Consumer Electronics Manufacturers (EACEM) in Brussels suggest that 510,000 widescreen sets will be sold in the European Union this year. This is slightly more than the 500,000 units purchased in the five years since widescreen was introduced.

EACEM expects 200,000 widescreen sets to be sold in

France this year, against 110,000 in 1995. Germany will experience more rapid growth with 180,000 units sold in 1996 against 75,000 last year. Some 40,000 widescreens will be sold this year in the UK, where there is very little PAL-plus programming, compared with 15,000 last year.

As sales have risen, retail prices have fallen. It is now possible to buy a basic PAL-plus widescreen set for under £1,000 (\$1,500), only a few hundred pounds more than for expensive conventional models.

Philips, the Dutch consumer electronics company, expects to see a dramatic increase in

sales as more programming comes on stream. "We saw steady sales growth in the early days of the VCR and compact disc markets," said Philips. "We think PAL-plus will catch on more quickly and sales will suddenly leap."

The PAL-plus phenomenon has stimulated the top end of the television market at a time when sales of cheaper sets are under intense pressure.

Nokia of Finland announced plans last month to cut 600 jobs in its consumer electronics division, mainly at its television plants in Turkey and Germany. Until recently the market for widescreens, which have unusually broad screens

in a cinema-style 16:9 ratio, was restricted by the dearth of PAL-plus programming. The PAL-plus standard provides higher visual and audio quality than the long-established PAL format.

The earliest widescreens did not have a PAL-plus facility, but those models can be converted to the new standard with the addition of a small decoding device.

Some 30,000 hours of PAL-plus programming, principally sport and films, will be broadcast in Europe this year, according to the Vision 1250 research consultancy, the same amount as in the previous three years.

By Alan Cane

Mergers and acquisitions reached record levels in the worldwide information technology business last year as companies sought the size and technology to compete in global markets.

Some 2,913 deals were tracked by Broadview Associates, a US M&A consultancy, a 57 per cent advance on the 1,861 recorded in 1994. The total value of the deals was \$134bn, a 48 per cent increase on the 1994 figure of \$90.5bn.

Mr Charles Federman, Broadview chairman, said: "This was another record-breaking year for M&A in the IT sector with unprecedented activity across virtually every segment of the industry."

The telecommunications sector saw the largest deals with 98 transactions worth \$20.1bn in total.

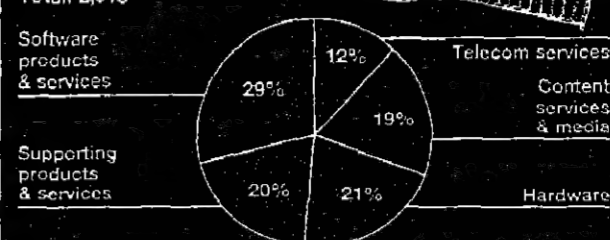
They include the \$3.5bn acquisition of 49.99 per cent of Belgacom, the Belgian operator by a consortium of Amertech, Singapore Telecom and TeleDenmark, and a \$2.7bn alliance between Cable & Wireless of the UK and Veba of Germany.

The most active sector was software and services, with 356 deals valued in total at \$4.4bn.

Broadview points out that the European market increas-

## Global information technology deals

Mergers and acquisitions 1995

Number of transactions  
Total: 2,913Value of transactions  
Total: \$134bn

Source: Broadview Associates

ingly saw the acquisition of "national champions" by companies from abroad looking for critical mass to compete internationally.

ADP, for example, a large US computing services company

specialising in payroll processing, bought GSI, its French equivalent, for \$480m.

Ceridian, which is second in payroll processing in the US, bought Centrefile Personnel & Payroll Services

from National Westminster Bank in the UK for \$52m.

The trend generated defensive transactions. Roca and Getronics of the Netherlands jointly acquired the Dutch payroll processing market leader Raet, while Tietotobdas of Finland merged with the Finnish government computer centre VTKK-YHTYMA in a transaction valued at \$113m.

Broadview says that many acquisitions were driven by the pace of technological change. "Product development cycles now commonly exceed product life cycles," it says, "making it necessary to acquire new technologies to avoid missing the window of opportunity."

Companies with expertise in the Internet, the fast-growing international computer network, proved particularly attractive. Unipalm Group of the UK, for example, was acquired by the US company UNINET Technologies.

Expertise in ISDN, the transmission technology which makes possible the information superhighway, was also a big attraction. Broadview counted 11 European ISDN specialists acquired by US companies seeking their experience.

Seventy per cent of Europe's top 20 transactions involved a buyer from abroad; for all transactions worth more than \$20m, half the buyers were non-domestic.

## PolyGram in Polish TV venture

By Alice Rawsthorn

PolyGram, the world's largest record company, is launching a music cable channel in Poland together with Planet 24, the youth-oriented UK television company, and the owners of a Warsaw nightclub, Ground Zero.

The new channel, Atomic

TV, will be broadcast in Polish from Warsaw and relayed on the cable television network, which covers 2m homes. It will feature videos by Polish and international acts, concerts, and youth-oriented lifestyle programming. Planet 24 staff will oversee launch of the channel from Warsaw, working with Atomic Entertainment,

the company run by the US-born music entrepreneurs who own Ground Zero.

Atomic TV is Planet 24's first investment in a television channel outside the UK.

PolyGram will participate in the management of the channel and supply videos. Artists on its roster include U2, Tricky, Elton John and the

Cranberries. The deal marks a continuation of PolyGram's strategy of investing in music television. It already co-owns the VIVA music channels in Germany and recently invested in the relaunched MTV Asia.

Most of Poland's cable operators have agreed to carry Atomic TV as their only music channel for five years.

## Boost for rocket sector in Russia and Ukraine

The US has agreed to open further its launch market to ex-Soviet rivals

By Nancy Dunne  
in Washington and  
Matthew Kaminski in Kiev

The US has agreed to open further its satellite launch market to Russian and Ukrainian companies despite fears that state subsidies could result in unfair competition.

Hoping to find peaceful uses for old military hardware and deepen commercial ties with erstwhile cold war enemies, Washington is giving Russia and Ukraine greater access.

As the US commercial rocket industry's global market share shrinks, domestic producers are worried that subsidised state-owned competitors will underprice them.

Some companies reacted with concern in December when the US extended to Ukraine, once an important rocket producer for the Soviet Union, the right over the next five years to bid for and win up to five launch contracts to send satellites into geosynchronous orbit, the most frequently used orbit for commercial satellites.

The Gore-Chernomyrdin Commission this week agreed that Russian services could provide up to 15 geosynchronous launches and held out the chance of more in the next two years.

With a bloated military industrial complex, Ukraine for years had sought access to the lucrative \$4bn US satellite industry. Each contract for a geosynchronous launch today runs to about \$100m, although an industry analyst said China charges less than former Soviet or western companies.

The US-Ukraine agreement, permitting an additional 11 launches through joint ventures, sets strict contract conditions, including special US consultation when a Ukrainian bid falls more than 15 per cent below the market price. Similar deals struck earlier with Russia and China are designed to manage the market and prevent underpricing.

The Virginia-based Orbital Sciences Corporation, which makes the Pegasus and Torus rockets, will not be directly affected by Ukraine's limited entry.

But Ms Elina Fuhrman, a company spokesman, said: "This sets a precedent. We want to make sure the agreement is enforced and that they offer fair market prices."

"We are more concerned about Russia's negotiations,"

she added, "because they could open the more protected market for low earth satellite launches that make up the bulk of Orbital's business."

But the new companies from the east first must prove they can compete. Mr Terry Edwards, manager of IntelSat launch vehicle programme, said the consortium had not yet selected Russia for the nine satellites on order and scheduled for launch over the next three to four years. Ariane-space won six; in fact, the European group has been the foreign competitor particularly successful in whittling away US companies' market share.

Mr Edwards dismissed the argument that companies emerging from non-market economies were unfair competition. "Fingerpointing, such as 'you're subsidised,' is not all that useful," he said. "If defined in a certain way, most companies have been subsidised."

Ukraine's first contract came through an international joint venture, Sea Launch, led by Boeing. In December Hughes Space and Communications, the Los Angeles satellite maker, awarded Sea Launch a contract for at least 10 sea-based launches.

NPO Yuzhmash, formerly the biggest nuclear missile plant in the world and located in central Ukraine, will provide the Zenith rocket, which tested its first commercial satellite launch last August, according to a Ukrainian official. "The market is very favourable," he said.

Other members of Sea Launch are Kvaerner of Norway, a shipbuilding and engineering group whose facilities will be used, and the Russian space systems specialist, RSC-Energia.

Mr Mickey Kantor, the US trade representative, said such projects would generate several hundred jobs, and contribute to the conversion of idle military facilities. He said the diversification of launch services would allow the US satellite industry to maintain its world leadership.

The commercial pacts can serve a political purpose, too. A former US official said the trade representative, against some resistance from the commerce department, sought to reward Ukraine for giving up nuclear weapons, according to the nuclear Non-Proliferation Treaty and transferring its nuclear stockpile to Russia.

# ARGENTARIA

## Satrongier

## Manilever

### HIGHLIGHTS

	1991 (4 <sup>th</sup> Year)	1994	1995
Net Income attributed to the Group (ESP. Millions)	47,529	66,404	74,197
Earnings per Share (Pesetas)	382	529	591
Dividend per Share (Pesetas)	161	260	270
Ratio BIS	13.0	12.2	13.9
Computable Equity Surplus (BIS) (ESP. Billions)	235	225	296
Gross Total Assets (ESP. Trillions)	9.2	11.9	13.3
Customer Funds Under Management (ESP. Trillions)	4.4	6.4	7.2
Customers Loans (ESP. Trillions)	6.6	6.4	6.6
Branches in Spain	1,351	1,440	1,600

## Businesses For Sale

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.

For further information or to advertise in this section please contact Lesley Sumner on +44 0171 873 3308



ARGENTARIA

## NEWS: ASIA-PACIFIC

# Beijing keeps tight grip on money supply

By Tony Walker in Beijing

China will continue its tight money policies in 1996 aimed at further reducing inflation, but it would also engage in selective easing of credit to profitable enterprises, a central bank official said yesterday.

Mr Ma Dejun of the People's Bank of China said the country planned to reduce growth in the broader M2 money supply to 25 per cent in 1996 compared with 28.5 per cent last year. M1 growth would remain much the same as 1995 at around 18 per cent.

Although price increases had moderated in the past year, the foundation for a sustained reduction in inflation was shaky, he said. Pressure on money supply continued to be great.

China's inflation rate dropped to 14.8 per cent in 1995 compared with more than 20 per cent a year earlier. The target for this year is less than 10 per cent.

Mr Ma indicated that the banking system would continue to squeeze unprofitable enterprises by restricting credit, but efficient companies would receive assistance. "Those enterprises with large stockpiles and low profitability will feel a lack of funds," he said.

"On the other hand, enterprises with a sound performance will be assured of credit."

China would raise credit for the year to the priority areas of

agriculture and infrastructure.

China's central bank has been under considerable pressure from the state sector to loosen credit to help solve a triangular debt problem - the inability of enterprises to pay each other for goods and services - which is choking many enterprises.

But fearing a resurgence of inflation, the bank has fought hard to resist such pressures aided by a new central bank law which enshrines the preservation of a stable currency and the anti-inflation fight as its main responsibilities. Mr Ma said a financial sector conference in Beijing last month had outlined four main tasks for 1996, including no let-up in the fight against inflation.

Other goals included improvements in credit management and the establishment of an interbank market; an enhancement of the central bank's prudential supervision of financial institutions; and improvements to the overall efficiency of the financial sector. Efforts would be made to liberalise further the financial sector to allow foreign banks to engage in local currency business, but no timetable for such a move had been decided.

Mr Ma cited as one of the barriers the difference in the tax rate paid by foreign banks, which operated under a low tax regime, and local institutions which were obliged to pay high rates.

"Foreign banks should compete on a level playing field with local banks."

Banks and tourist hotels damaged as Tamil 'Tiger' separatists aim at heart of Sri Lanka's economy

## Colombo business centre bomb kills 55

By Anil Jayasinghe in Colombo

Suspected Tamil "Tiger" guerrillas yesterday carried out their deadliest attack yet against the Sri Lankan economy by bombing the financial district of the capital, Colombo, killing at least 55 people and wounding more than 1,400 including foreign tourists.

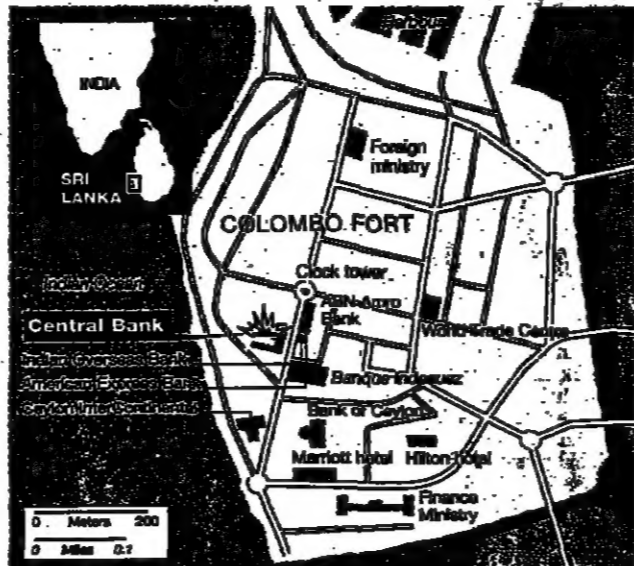
The army blamed separatist Liberation Tigers of Tamil Eelam (LTTE) for the spectacular suicide bombing of the Central Bank of Sri Lanka building.

An attacker in an explosive-laden truck, supported by three gunmen on foot, rammed the entrance to the central bank. Two of the gunmen were arrested and the third escaped.

"This is a clear attempt to destroy the economy," a military spokesman said. "There was no military target involved and all the victims were innocent office workers."

The bombing was seen as a blow to Sri Lanka's efforts to woo tourists and much needed foreign capital. It may have damped hopes of raising \$420m from the sale of state enterprises in 1996. Most of the investment had been expected from foreign companies, which local businessmen said yesterday may now be less keen.

Sri Lanka had been banking on the ambitious privatisation programme to finance a budget deficit estimated at about 10 per cent of gross domestic



product and caused mainly by record defence expenditure of \$700m this year.

More than a dozen buildings in the district, called Colombo Fort, were in a shambles, many of them showcase office blocks and symbols of foreign interest in the Sri Lankan economy.

The Colombo branches of the American Express Bank, ABN Amro Bank, Banque Indosuez and the Indian Overseas Bank - all located in front of the central bank building - were damaged by the blast.

Mr A S Jayewardena, central bank governor, said vital documents were still intact

although part of the building collapsed. The central bank would shortly resume normal functioning with the help of commercial banks, he added.

The multi-storied complex of a leading private insurance company, the Ceylinco, caught fire and firemen plucked office workers from the 18th floor.

The main ticket office of Air Lanka, the national airline, was also destroyed. Two injury hotels in the neighbourhood had their windows shattered and many foreigners were among the 1,400 people admitted to hospital.

The impressive 37-storeyed headquarters of the Bank of



A soldier standing guard at Sri Lanka's Central Bank yesterday

Ceylon, the premier state-run commercial bank, also had its glass facade shattered. More than 400 cars were gutted.

Colombo's telephone network, which will be up for sale by mid-year and is badly in need of capital to expand, seized up as worried people tried to call relatives.

The attack bore the trademark of the separatist Liberation Tigers of Tamil Eelam, which has been accused of previous kamikaze-style blasts in the capital. Last October, the LTTE shifted its attention to economic targets by bombing the main oil storage depot there, shortly after the govern-

ment sold the country's gas distribution monopoly to Shell, the Anglo-Dutch oil group.

In November the LTTE carried out a suicide bombing outside the army headquarters in Colombo, killing 21 people, including an employee of a nearby tourist hotel.

The latest attack came despite a city-wide alert for possible LTTE attacks following the army's capture of the rebels' northern bastion of Jaffna after nearly 80 days of fighting that left an estimated 2,000 rebels and 500 government soldiers dead. The LTTE had vowed to seek revenge for the humiliating defeat.

## Groups vie for Thai bank licences

By Ted Bardacke in Bangkok

The Thai banking industry is set to face increasing competition as a host of local finance companies and foreign banks applied for new commercial banking licences yesterday.

On the domestic side at least five groups, mostly headed by non-bank finance companies, submitted applications for the first new full-banking licences to be issued since 1966. Most of the groups vying for the up to five licences expected to be awarded by mid-year brought in important industrial companies as minority shareholders, a move analysts said carried both significant risks and potential rewards for the new institutions.

On the foreign side, more than 10 Asian and European banks which already operate offshore lending offices in Thailand applied to be upgraded into full branches. Between five and seven of these applicants will be given permission to upgrade and join the 14 foreign banks who operate full branches in Thailand.

Among those applying from Europe were Dresdner Bank, Banque Nationale de Paris and ING Bank. Asian banks applying included Bank of China, Korea Exchange Bank, Development Bank of Singapore and a plethora of Japanese banks including Sumitomo, Sanwa, Dai-ichi Kangyo, Industrial Bank of Japan and Long-term Credit Bank of Japan. No US bank applied, leaving Bank of Nova Scotia the only North American applicant.

The strong turnout by foreign banks came despite a steep \$60m (\$53m) initial capital requirement to open a branch, an amount at least four times higher than any other country in the region.

"Yes, it's a lot of money, but if you think Thailand is going to be a big market then you have to get a full branch," said one foreign banker. He added, however, that some applicants probably did not expect to win licences but applied anyway so as not to lose face with the Thai financial authorities.

The comparably lukewarm response for new domestic licences had more to do with onerous operating rules for the new institutions rather than the attractiveness of the banking sector, where both return on equity and average profit growth for the existing 15 banks average more than 25 per cent annually.

New banks must locate their headquarters outside Bangkok, have at least half their shares publicly held and have no cross-ownership ties with existing banks. Immediate paid-up capital is a hefty \$300m and salaries for experienced bankers are already skyrocketing.

Domestic applicants included consortiums led by General Finance & Securities, First City Investment and the telecommunications company Ucom, Sitca Investment & Securities with Thai Petrochemical Industry and Prime Finance & Securities with contractor Italian-Thai Development and property developer Quality Houses.

The leading finance companies are generally considered middle-tier companies due to their lack of tie-ups with existing banks.

"You've got to be careful that these new banks don't become in-house lending agencies for their shareholders," said Mr George Morgan, country manager of the brokerage HG Asia.

"At the same time it will help the banks to get some initial big customers."

### ASIA-PACIFIC NEWS DIGEST

## NZ credit rating raised

Standard & Poor's, the international credit rating agency, yesterday raised the long-term foreign currency rating of New Zealand to AA-plus from double-A, citing the country's "prudent fiscal and monetary policies" for the move. New Zealand is now just one notch below the coveted triple-A foreign currency rating which it lost in 1983.

The upgrade was welcomed in Wellington where the government was quick to point out that New Zealand now had a stronger credit rating than Australia which is rated double-A. "In the past, New Zealand has usually trailed Australia, and only rarely managed to achieve parity on credit ratings. It is a significant tribute to this country that we have now pulled ahead of them for the first time," said Mr Bill Birch, finance minister.

New Zealand is also in line for an upgrade from Moody's, the rival ratings agency which placed its double-A2 rating on review for an upgrade on January 3. *Antonia Sharpe, London*

## Vietnam-China rail link agreed

China and Vietnam yesterday agreed on February 13 as the date for the restoration of the symbolic Hanoi-Beijing rail link, broken since a brief but bloody border war in 1979. Passengers will still not be able to travel between the Vietnamese and Chinese capitals without interruption because of a minor border dispute and differing Chinese and Vietnamese railway gauges. Trains from each side will have to stop a few hundred yards before the border, forcing passengers to walk a short distance over the disputed territory before boarding a train from the other side. *Jeremy Grant, Hanoi*

## Australian trade deficit eased

Australia's current account deficit eased in December following a surge in rural exports. The December deficit was A\$1.63bn (\$900m), down almost 20 per cent on the November figure of A\$1.86bn. Analysts had been predicting a deficit above A\$2bn following a 5 per cent increase in imports, disclosed in mid-January. But this was more than offset by a 10 per cent rise in total exports to a record monthly level of A\$6.96bn. *Bruce Jacques, Sydney*

## Taiwan vice president to visit US

Mr Li Yuan-su, Taiwanese vice president, will stop over in three US cities during visits to Haiti and El Salvador next month, a move seen to irritate rival China amid already tense relations. "Vice President Li will begin his trip on February 3 and transit in San Francisco and Miami to stay one night each," the foreign ministry said in a statement. He planned to break his return journey with a stop in Los Angeles. A landmark private trip by Taiwan's President Lee Teng-hui to the US last June drove Beijing into a fury and has sharply soured bilateral relations since. Taiwan does not have diplomatic relations with the US. *Reuters, Taipei*

## Economists blame fall on India's political turmoil

## Rupee at record low to \$

By Mark Nicholson in New Delhi

The Indian rupee slid to a record low of Rs36.47 to the dollar at yesterday's close in spite of intervention from the Reserve Bank of India, the central bank. Traders and economists blamed the fall largely on political uncertainty in the light of imminent elections and the country's recent political bribes scandal.

The fall was from an overnight Rs36.13, and the extent of intervention was unclear. But intervention last month contributed to a fall in RBI foreign currency reserves from \$17.5bn at the end of December to \$16.8bn on January 19, the latest published figures.

Economists said intervention from the bank, which has made no comment on its policy, appeared an attempt to

smooth the currency's fluctuation rather than to underpin a floor in the rate.

The rupee has depreciated steadily from its previously consistent rate of Rs31.37 to the dollar since last August and, while the RBI has sporadically intervened, Indian officials last year made little secret of the fact that they did not see a rupee depreciation as undesirable, particularly in the light of the country's trade position.

Officials have pointed out that the depreciation late last year took the rupee close to its real effective exchange rate (REER) - the rate which reflects India's higher inflation relative to that of its main trading partners.

Factors depressing the rupee have included fast-rising import growth outstripping export sales, a fall in foreign

portfolio investment flows and, particularly in the past few weeks, the dollar's relative strength. However, bankers and economists said yesterday that the slippage above Rs36 appeared to owe more to political jitters in the market than to economic factors. Most bankers and economists reckon the rupee's REER to be closer to Rs35. "If there's been any change in recent fundamentals, it is political fundamentals," said a western economist.

Dealers in Bombay said they expected the currency's volatility to persist for the next few weeks. India's general elections are barely three months away and the political system has been thrown into turmoil by recent charges laid against three ministers, the leader of the opposition and several other politicians.



There's a comfort level you'll feel even when you're not in it.

And quieter inside than any other in its class.

But the Citation VII also provides its owners with an even greater kind of comfort. It gives them peace of mind. Because this exceptionally reliable aircraft is backed by an organization respected worldwide for its strength and stability.

Cessna sells more light and midsize business jets than all other manufacturers combined. Our industry lead grows every year.

And as our worldwide market share continues to grow, so does our ability to serve Citation customers.

When you also consider that the Citation VII

This spacious cabin is just one reason why owners take such enormous comfort in the Citation VII.

For more information, contact Roger Whyte, Vice President, Worldwide Sales, Cessna Aircraft Co., P.O. Box 7706, Wichita, KS 67277 USA. Tel: (316) 941-6720. Fax: (316) 941-6640.



CITATION VII

Cessna  
A Textron Company

مركز الاموال

**IMI**  
for building products, drinks dispense,  
fluid power, special engineering.  
IMI plc, Birmingham, England.

# FINANCIAL TIMES COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1996

Thursday February 1 1996

CREATING THE WORLD'S  
MOST LUXURIOUS CLOTHS

**Raid & Taylor**  
LANGHOLM SCOTLAND DG13 0BN  
TEL: 013673 80311 FAX: 013673 80720

## IN BRIEF

### Rhône-Poulenc in big disposal plan

Rhône-Poulenc, the French chemical group, announced disposals worth FF10bn (\$2bn) over the next two years aimed at cutting its unwieldy debt and lifting its "adequate" profitability. Operating income fell 10 per cent, to FF6.2bn, on sales down 1.8 per cent at FF64.8bn. Page 16

**SAP's 43% rise disappoints market**  
SAP, Germany's leading computer software house, announced a 43 per cent improvement in annual pre-tax profits to DM674m, but disappointed traders who had expected better. The ordinary shares slipped DM6 to DM22. Page 16

**Lower tax charge aids Kimberly-Clark**  
The first results from Kimberly-Clark, the US tissue maker, since its \$9.4bn takeover of Scott Paper, showed operating profits in the fourth quarter up only 3 per cent before special items, at \$352m. However, a sharply lower tax charge left net earnings up 32 per cent at \$255m. Page 18

**Marlboro strength lifts Philip Morris 16.5%**  
Strong sales of the company's flagship Marlboro cigarettes helped Philip Morris, the US tobacco and food group, post a 16.5 per cent jump in net profits to \$1.3bn in the fourth quarter. Page 18

**Novell to sell WordPerfect for \$116m**  
Novell, the US computer software company, has agreed to sell WordPerfect and other office application products to Corel, the Canadian graphics software company, in a deal valued at \$115.5m. Novell acquired WordPerfect, a developer of word processing programs, for \$1.4bn in 1994. Page 18

**First Cuba venture vehicle set for launch**  
The first venture capital vehicle for investors in Cuba is being launched this week. Beta Gran Caribe is an investment company to be listed on the Dublin stock exchange. Page 18

**Write-offs to put Hokkaido Bank in red**  
Hokkaido Bank, one of Japan's larger regional banks, said a big increase in planned write-offs of bad loans would force it to declare a loss for the year to the end of March of about ¥39bn (\$364m), its first for nearly 50 years. Page 19

**Philippine Airlines doubles its losses**  
Philippine Airlines, the ailing national carrier, more than doubled its losses to 2.04bn pesos (\$77.5m) during the first nine months. Page 19

**Elf and Enterprise end N Sea link**  
One of the more complicated and unique corporate relationships in the North Sea oil industry came to an end when Elf, the French oil company, and Enterprise, the UK explorer, "reorganised" their loss-making Elf Enterprise Petroleum joint venture. Page 20

Companies in this issue			
Al Ahram Beverages	19	HRC Development Corp	18
Allied Textiles	20	Hanson	15
Alumax	18	Hochst	2
Asarco	18	Hokkaido Bank	19
Asahi	20	Hughes	6
Arcadia Entertainment	18	Hughes Space & Comms	5
Bank of China	6	IBM	18
Bank of Nova Scotia	18	ING Bank	6
BankWest	19	Kimberly-Clark	16
Barque Nationale de	6	Korea Exchange Bank	5
Beta Gran Caribe	6	Kvaerner	5
Bethlehem Steel	18	Lloyds Chemists	20
Bombardier	5	Lloyds Martin	13
Boeing	18	MCI	18
British Aerospace	18	MMI Holdings	13
CANTV	4	McDonald Douglas	13
Corral	18	McDonnell Douglas	13
Credit Foncier	15, 16	Milidra Blass	19
Daimler-Benz Aero	18	News Corp	18
Danone	18	Nokia	5
Deutsche Telekom	16	Novell	18
Dresdner Bank	5	Oracle	18
Eldorado Corporation	18	Orbital Sciences	5
Elektrowatt	18	Paris	6
Elf Aquitaine	14	PatsMam	18
Enterprise Oil	14, 20	Philip Morris	15
Eurodis Electron	15	Phillips Airlines	5
Fiat	14, 16	Phillips	5
Ford	18	PolyGram	5
Foster's Brewing	18	Prudential	20
France Telecom	18	RSC-Energy	19
Fyffes	16	Rhone-Poulenc	18
G. Fin. Investor	18	SPCC	18
GEC-Marconi	13	Scott Paper	10
Gelco	18	Singapore	6
GenCorp	20	Sprint	19
General Motors	18	Sumitomo	19
Getinge	18	Telkom	19
Glencore	16	Tirol Systems	18
	18	Total	18
	18	UniChem	20

Market Statistics			
Annual reports service	28.29	FT-SE Actuaries Index	32
Benchmark Govt bonds	26	Foreign exchange	27
Bank futures and options	26	Oil prices	26
Gold prices and yields	26	London share service	28.29
Commodities prices	26	Managed funds service	28.31
Dividends announced, UK	26	Money markets	27
BMS currency rates	27	New Int bond issues	26
European prices	27	New York share service	34.26
Fixed interest indices	26	Recent issues, UK	26
FTSE-A World Index	26	Short-term int rates	26
FT Gold Mines Index	26	US Interest rates	27
FT/ASIA Int bond svc	26	World Stock Markets	33

### Chief price changes yesterday

FRANKFURT (DM)		
Rhône	1100	+ 65
Asahi	145	+ 10
Dresdner	548	+ 14
Kaifort	487.5	+ 17
Foncier	853	+ 30
Philips	227	- 7
NEW YORK (\$)		
Alumax	484	+ 24
Asahi	384	+ 34
Asahi	74	+ 34
Asahi	3194	- 194
Asahi	564	- 104
Time Warner	374	- 29
LONDON (£)		
Daily Mail A	1405	+ 45
Quality Centre	388	+ 34
Yorkshire Dev	718	+ 30
Philips	2123	- 157
Local	251	- 19
Resonance (M)	1200	- 19
TOKYO (¥)		
Asahi	87	+ 9
Asahi	104	+ 14
Asahi	186	- 14
Asahi	186	- 14
Asahi	26	- 14
Asahi	922	+ 13

## Head of Crédit Foncier replaced

By Andrew Jack in Paris

The French government yesterday announced the abrupt replacement of the head of Crédit Foncier de France, the troubled financial institution that specialises in property lending.

The council of ministers said that Mr Jérôme Meysonnier, head of Banque La Hénin, part of the quoted Suez group, would become the new chairman or "governor" with immediate effect.

However, Mr Jean-Claude Colli, the existing governor, did not resign yesterday, in a gesture believed to reflect his frustration with the decision to remove him from office.

Crédit Foncier has a peculiar legal status as a specialised financial institution

### Governor of property lender refuses to resign after government appoints Suez man

rather than a bank. It is a quoted company in which the French state has no shares, but has the power to nominate the governor and the two deputy governors.

News of the change helped lift the group's share price 4.2 per cent to close at FF70, after it had fallen by two-thirds in the past year as its troubles mounted.

Government sources said the decision to change the governorship was not a sanction against Mr Colli, but reflected the need to put in charge someone with experience of the property market when the group was undergoing restructuring.

Last September, it reported net profits of just FF12m for the first six months of 1995, and unveiled plans to merge with an associated company that would have recapitalised it with FF1bn. But the plan was rejected and it negotiated an emergency line of credit from the Caisse des Dépôts, the state financial institution, this month.

Crédit Foncier was hit last autumn when the French government announced the abolition of the PAP, a low-income housing loan scheme on which it largely depended. It has also suffered as a result

of the country's depressed property market, which is likely to lead to substantial new provisions in its full-year results.

Mr Colli was appointed governor in late 1994, having been a deputy governor since 1986 when he held responsibility for Foncier's loans. He spent the past few months attempting to negotiate a restructuring package to cut operating costs by 30-40 per cent over the next three years, reduce staff and find alternative types of loans into which to diversify.

Mr Meysonnier has spent most of his working life at La Hénin, which specialises in property lending, and which itself has cleaned up its portfolio during the past few months. It reported profits of FF12m for the first half of 1995, and had assets of FF45bn in 1994.

## Hanson parries catcalls at rowdy meeting

By Clay Harris in London

Lord Hanson had his next-to-last hurra yesterday, and for a while it looked as if he might welcome an earlier retirement.

On the London stock market, Hanson's shares fell 84p to 2024p as doubts emerged about the industrial conglomerate's plan, announced on Tuesday, to split itself into four parts.

Elsewhere in London, the chairman had enough trouble keeping order at a rowdy annual meeting disrupted by hecklers.

On the demerger, Lord Hanson told shareholders: "I can't elaborate on detail and actually there's much more work ahead which may take up to a year to complete."

Of press coverage, he said: "I'm not sure I like my description as a dinosaur, but then I thought Jurassic Park was a smash hit and that starred dinosaurs, and we certainly have a smash hit on our hands."

What he had on his hands, without doubt, was a flood of interruptions. Lord Hanson, who plans to retire next year, parried catcalls with the flair of a 74-year-old trouper, tersely and without ambiguity. Some shareholders among the 2,000 at the meeting let him support with a slow handclap for untimely interventions and shouts of "throw him out!" It came to that for one of them, hauled out by security men soon after he yelled "don't import your violence from the states to this country."

He introduced Roger Moore, who stars in Hanson's new ad, a 007 spoof. The actor quipped: "Can I ask a question?"

Question time, when it came, was heavily scripted. The company chose questions from those sent in by shareholders and selected the people to pose them. Lord Hanson read his prepared answers from an audience.

Defending the company's £200,000 annual contribution to the Conservative party, Lord Hanson said: "Whoever wins the next election, Conservative principles must be kept alive."

"Now we know why the press calls you a dinosaur," yelled one of his tormentors, "because you've just exhibited your dinosaur tendencies - little brain and large body." Lord Hanson flashed: "Getting pretty close to it, aren't you? Fancy a bit of fresh air?"

After the meeting, security guards shielded Lord Hanson from additional questions. Unlike previous years, he did not join fellow directors to mingle with shareholders.

Details, Page 20

### Pet supplies chain is one of the US's top growth stocks, writes Christopher Parkes

## Paws and claws in the fight for sales

Noses are twitching expectantly in Europe's financial centres in anticipation of the arrival of Mr Mark Hansen, president and chief executive of PetsMart, the latest "cat-gory killer" to emerge from the US retail industry.

In turn, Mr Hansen, 41, whose success in selling pet supplies through 25,000 sq ft superstores has raised the hackles of grocery retailers, veterinary surgeons, wholesalers and pet shop owners, will be putting his own olfactory equipment to use sniffing out new territories.

Although far from finished in the US, where PetsMart has opened 260 stores out of a targeted 975, the group is poised to move into Canada this year. In 1997, Mr Hansen hopes, the first European stores will open in either Britain or France.

The debate on where the landing takes place may be testy: two of PetsMart's eight boardroom seats are filled by Mr Denis Deforey, retired chairman of France's Carrefour retailing group, and Mr Philip Francis, president and chief executive of Shaw's Supermarkets, a subsidiary of Britain's J. Sainsbury retail group.

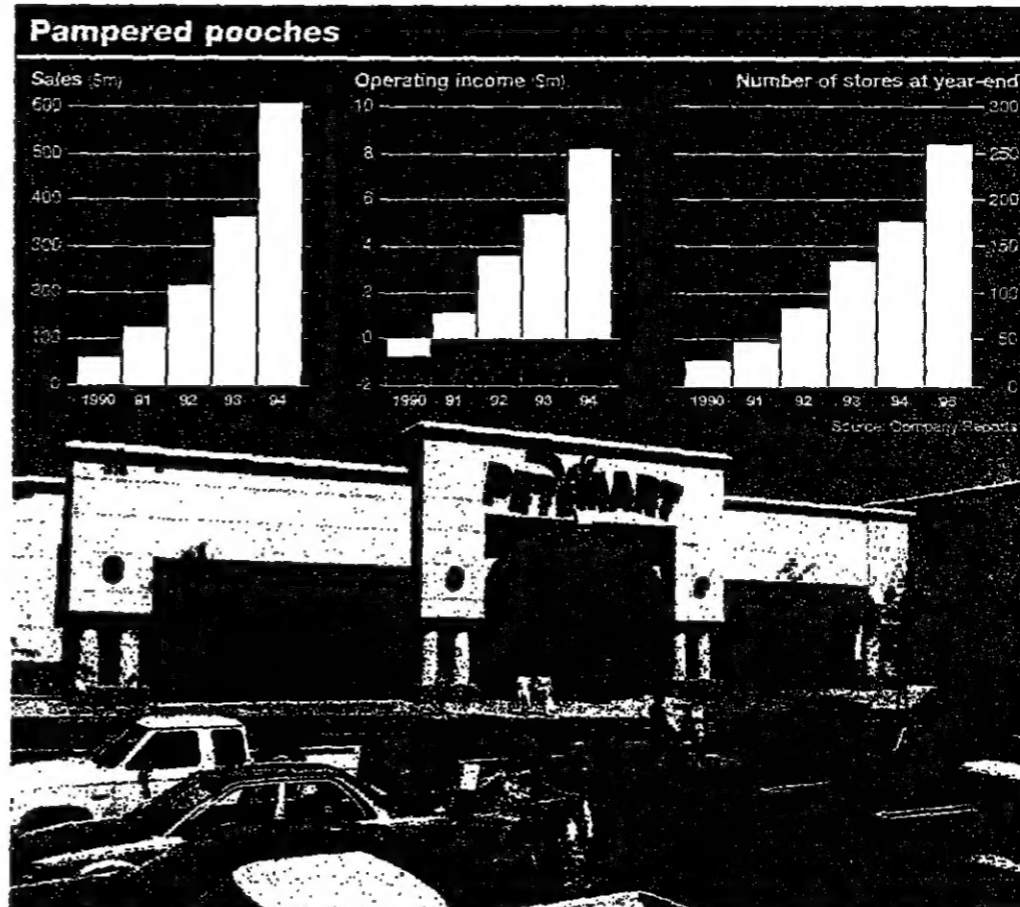
A UK opening may be preferred because the British tend to code their pets with more high-margin commercial food, although France may have an edge by virtue of Carrefour's stake of almost 20 per cent in PetsMart.

First, Mr Hansen plans to regale Europe's investment community with what analysts expect to be a sound set of 1995 results. The centrepiece will be \$1bn turnover, achieved in the company's sixth year of operations. Some analysts suggest net earnings may reach 50 cents a share, up from 28 cents.

The speedy expansion programme has meant no dividend payments so far, although that has not deterred the likes of Fidelity Investments, PetsMart's biggest institutional backer, or one large private investor, Mr Paul Allen, co-founder of Microsoft.

On Mr Hansen's last roadshow visit in 1993, in advance of PetsMart's initial public offering, sales were \$970m from 126 stores. Since then, each year PetsMart has featured in the top ranking growth stocks in the US.

Innovation and availability of a wider product range, coupled with the explosive growth of premium pet food brands, is increasing industry turnover - \$17bn a year in 1994 - by 10-15 per cent annually. The total of large, chain-owned outlets has grown to



about 700 from 250 in 1993. Conventional supermarkets, which accounted for 80-90 per cent of pet food sales a decade ago, last year claimed less than 50 per cent, according to Mr Hansen.

The pressure is forcing the closure of around 30 per cent of traditional family-owned pet shops each year. Veterinary practices and grooming parlours are being squeezed by the intrusion into their territories. PetsMart, which started out offering routine medical services such as inoculation, now has clinics and full-time veterinary surgeons in several stores.

Glass-walled in-store grooming parlours attract spectator-shoppers. Other draws include dog-wash facilities, obedience classes and photography studios.

The stores' entertainment value is further enhanced by sections devoted to books, videos and toys. Colourful fish tanks and small mammals for customers to pet add to the mix of attractions.

Sales of livestock account for only a fraction of the group's turnover, but in-store cat and dog "adoption" centres find new homes for strays and rejects from dog pounds which would normally be destroyed. They often go to homes which already have at least one pet - and always at a tiny fraction of the cost of a conventional pet shop puppy or kitten. "Helping the community to solve a problem," says Mr Hansen. PetsMart expects to find homes for 300,000 dogs and cats this year.

Such universal, emotional factors are key to the strategy

which Mr Hansen believes will crown PetsMart's impending foreign adventure with success.

"Relationships between owners and animals are much the same all over the world," he says. There are no racial or ethnic differences. Food is the same, and there is no fashion content. The mass of comfortably-off empty-nest baby boomers will increasingly look to domestic animals for their emotional comfort and in return pamper their pets with expensive food and toys.

Mr Hansen has drafted a strategy for the first stage of the move abroad. The Canadian chain will be launched in Ontario and Van-

couver before stretching across the plains and eventually reaching Quebec. Half a dozen initial openings will test and correct the merchandising and location tactics in the first 18 months, before a rapid cross-country sweep opens a projected total of 65 stores within four or five years.

Beyond that, he is not saying. Plans for expanding PetsMart further and moving into Europe remain under wraps. According to Mr Hansen, they are matters for discussion only between himself and a dim-looking toy collier, squatting by his desk, which has a non-speaking role in all corporate decisions.

## Ford slide eased by financial services

By Richard Waters in New York

Ford Motor warned yesterday that the cost of launching models in the US and Europe would lead to weaker earnings in the first six months of 1996, as it reported that its core automotive operations had barely managed to break even in the final three months of last year.

Mr Alex Trotman, chairman of the US's second biggest automotive manufacturer, said profits would continue to be held back in the coming months by the launch of models which accounts for about 35 per cent of Ford's vehicle sales. He predicted that earnings would begin to pick up in the second half of the year, confirming expectations that the company would report lower year-on-year profits in the next two quarters.

Overall, thanks to record earnings from its financial services businesses, Ford's after-tax profits in 1995 reached \$4.1bn, down only 22 per cent from the year before.

About \$3.1bn of the group's post-tax earnings came from financial businesses which range from car leasing to consumer lending. That made Ford's financial arm among the most profitable in the US, topping the 1995 earnings of American Express and Merrill Lynch.

Ford is reviewing whether to dispose of its financial businesses other than those involved in vehicle financing. Of these, The Associates, a consumer finance business, earned net income of \$708m last year, and USL Capital, a leasing operation, made \$135m.

In the final quarter, Ford reported net income of \$660m, or 49 cents a share, compared with \$1.6bn, or \$1.47, the year before. All but \$16m of this came from its financial services operations.

Its US automotive operations recorded quarterly profits of \$168m, down from \$745m a year before, while its international businesses lost \$152m, compared with profits of \$374m.

Besides the costs associated with new models, the results reflected tough trading conditions in the US and Europe, adverse foreign currency shifts and losses in Mexico and Brazil. Like its rivals, Ford's earnings were hit by plummeting US car demand. Last year, it sold nearly 1.8m cars, 13 per cent fewer than 1994, while light truck sales rose 2 per cent to 2.2m.

Agelli warning, Page 16; GM rediscovers brand, Page 18

The partners of Touche Ross & Co.  
announce that from 1st February, 1996  
they will practise as:

**Deloitte & Touche**

**Deloitte & Touche Consulting Group**

Global Accounting, Tax and Consulting Services

Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.  
Tel: 0171 936 3000. Fax: 0171 583 1198.

Other offices are also located in Aberdeen, Bath, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, Manchester, Milton Keynes, Newcastle, Nottingham, St. Albans, Southampton, Guernsey, Isle of Man and Jersey.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

## INTERNATIONAL COMPANIES AND FINANCE

## EUROPEAN NEWS DIGEST

## Preussag in friendly bid for Elco Looser

Preussag, the German steel and engineering group, has made a SFr267.5m (\$220m) friendly takeover bid for Elco Looser, a loss-making Swiss manufacturer of heating equipment. It plans to integrate the Zurich-based group with its Wolf and Kermi heating technology units to create a combined group with sales of about SFr1bn. The Elco Looser board is recommending acceptance of the Preussag offer of SFr535 per registered share, a 23 per cent premium over the average price of SFr438 in the second half of 1995.

The company, which also has interests in dyes and paintstuffs, yesterday blamed increasing competition in European markets for a 7 per cent drop in sales last year to SFr602m. "A disappointing operating result together with the cost of restructuring will result in a substantial loss," it said. In 1994, the group had net profits of SFr13.7m.

Frances Williams, Geneva

## SAP disappoints with 43% rise

SAP, Germany's leading computer software house, yesterday announced a 43 per cent improvement in pre-tax profits for 1995, but disappointed the Frankfurt bourse, which had expected better after the company's spectacular growth in recent years. In the first half of 1995 profits rose 80 per cent. SAP said it was satisfied with the results.

The ordinary shares slipped DM6 to DM222 on the news. However, Mr Dietmar Hopp, chairman, said he was confident about prospects for 1996. The slight slowdown in growth did not suggest slackening profitability, he said. Revenues grew 47 per cent from DM1.83bn to DM2.69bn (\$1.8bn). Income before taxes rose 43 per cent, from DM471m to DM674m, while earnings per share were 44 per cent higher at DM4, compared with DM2.78.

Alan Cane, London

## L'Oréal sales increase 12%

L'Oréal, the French cosmetics group, yesterday posted full year sales up 12.1 per cent from FF47.6bn in 1994 to FF53.3bn (\$10.4bn). At constant exchange rates and excluding acquisitions, turnover was up 6.4 per cent. Analysts said this indicated continued weak demand. The figures were slightly below expectations, but the shares closed up FF19 at FF144.8.

The group said its pre-tax profits would be markedly better than those in 1994, which were FF5.15bn. This would be despite higher financial costs after its acquisitions last year of Cosmar in the US and L'Oréal in Switzerland. The net results would be affected by a higher tax charge because of changes to French tax rules. James Capel in Paris said it expected net profits, due to be announced in April, of FF3.4bn, an increase of 8.9 per cent from FF3.12bn in 1994. Sales at Synthelabo, L'Oréal's pharmaceutical subsidiary, in which it holds a 64.6 per cent stake, rose 15.3 per cent. Turnover at the cosmetics operations increased 11.4 per cent.

Paul Abrahams, Paris

## BMW earnings 'satisfactory'

BMW, the German carmaker, said group sales rose 9.4 per cent from DM42.2bn to DM46.1bn (\$30.9bn) in 1995. The company said earnings were "satisfactory" for the year, but did not give details. Sales excluding Rover Group of the UK, acquired in 1984, climbed 3.5 per cent to DM33.1bn.

Pinault-Printemps-Redoute, the French retailer, said yesterday sales rose almost 10 per cent from FF70.8bn to FF77.8bn (\$15.2bn) last year. At constant exchange rates and with the same company structure, sales would have risen 2.4 per cent, the company said.

AFK News, Paris

## Rhône-Poulenc steps up shake-out

By Jerry Luebsky

Rhône-Poulenc, the French chemical group, yesterday announced disposals worth FF10bn (\$2bn) over the next two years aimed at cutting its unwieldy debt and boosting its "adequate" profitability.

Unveiling a 10 per cent decline in operating income, to FF6.2bn, on sales down 1.8 per cent at FF84.8bn, Mr Jean-René Fourton, chairman and chief executive, said last year's results were disappointing - especially after three years of strategic restructuring. However, he denied the company was on the wrong track.

The operating margin of 2.5

per cent - in a year when many chemicals companies achieved record profit levels - was due to external factors and one-off items, he said.

Principal among these were the weak dollar, a recession in Brazil, and economic downturn and strikes in France. The results were also depressed by the group's active programme of acquisitions and disposals.

On a continuing basis, and with exchange rate movements excluded, sales had risen 7.4 per cent. Excluding provisions for restructuring and acquisition charges, operating income rose 12.3 per cent. Net profit worked out at FF2.13bn, against FF1.91bn last time.

The provisions amounted to FF1.7bn, of which FF630m was for the integration of pharmaceutical companies Fisons and AIS into its US-based pharmaceuticals arm Rhône-Poulenc Rorer. This was offset by a FF655m tax credit.

The company's continuing commitment to expanding its research and development programme, and increased capital expenditure had also contributed to an erosion in profits and cash flow. The R&D budget rose from FF6.7bn the previous year to FF7.1bn, and capital expenditure to FF1.1bn from FF0.9bn.

This saw the cash flow drop from FF2.7bn to FF1.75m.

With the FF10.4bn spent on acquisitions - after deducting the gains from disposals - this lifted the group's debt by FF11.8bn, taking its gearing to 72 per cent.

The company was determined to reduce this to 50 per cent over the next two years, said Mr Fourton, with the help of the planned disposals, half of which would be in the pharmaceuticals business. It planned to sell its stake in Socié Générale, and would also be making large disposals in its chemicals division.

However, it did not rule out further acquisitions, and remained committed to expansion in Asia and South



Jean-René Fourton: results disappointing after revamp

America. Mr Fourton said. The company would not reveal regional profits.

## Getinge held back by Arjo weakness

By Christopher Brown-Humes in Stockholm

Getinge of Sweden, which became one of Scandinavia's largest medical technology groups last year after a string of acquisitions, yesterday announced pre-tax profits of SKr389m (\$55.5m) for 1995 and said it was on course for sharply higher figures this year.

Its result was SKr23m lower than in 1994, reflecting much weaker figures from Arjo, the world's leading supplier of patient handling and hygiene systems, which Getinge acquired for SKr2.5bn after a takeover battle last autumn.

Getinge said its figures had been calculated according to a pooling method combining its own results for calendar year 1995 with Arjo's for its financial year to September 30. It decided to take Arjo's SKr228m deficit in the final three months of 1995 - blamed mainly on one-off restructuring costs - as a balance sheet charge against equity, rather than through its profit and loss account. This accounting treatment was criticised in some quarters yesterday for not reflecting the group's financial performance clearly enough.

Getinge said it expected 1996 profit to reach between SKr480m and SKr500m. Most of the improvement would come from Arjo, said Mr Carl Bennet, Getinge president. But he also forecast better performance from the group's sterilisation and distribution divisions, both of which saw lower operating margins last year.

Getinge has begun an extensive restructuring of Arjo, which saw profits fall from SKr235m to SKr126m last year after it was hit by delayed US product launches and a heavy drop in sales of patient handling systems in the UK. Getinge has closed Arjo's headquarters in southern Sweden, and one of its German factories. It has also cut staff in the US and Sweden.

Although the restructuring costs have proved higher than expected, Getinge expects annual synergy gains of between SKr80m and SKr100m within two years. This is higher than an earlier estimate of SKr60m.

Apart from Arjo, Getinge bought LIC Care, another Swedish medical sector group, for SKr552m, and several smaller companies in France and South Africa last year. This helped lift turnover from SKr2.59bn to SKr3.23bn. Excluding acquisitions, turnover rose 6.4 per cent.

The group, spun off from Electrolux in 1993, now consists of 60 companies in 21 countries with 2,700 employees. The B shares rose SKr6 to close at SKr329 yesterday.

## Telecoms operators launch global alliance

By Michael Lindemann in Bonn

Three of the world's leading telecoms operators - Deutsche Telekom, France Télécom and Sprint of the US - yesterday launched the world's third global telecoms alliance, forecasting sales of \$5bn by 2000.

Deutsche Telekom and France Télécom, the biggest operators in Europe, will pay a total of \$42m, slightly more than expected, for a 30 per cent stake in Sprint, the third biggest US long-distance carrier.

Unveiling the final details of the alliance, to be called Global

One, the chief executives of the three companies said the venture offered clients around the world a new range of services.

"Global One is going to offer customers communication to the world through a single point of contact, a single global network that is state-of-the-art technology," said Mr William Eesey, Sprint chief executive. "No one else in the world is offering this unique level of services."

Mr Eesey said Global One would focus on three segments of the international telecoms market: worldwide voice, data

and video services for corporate clients; international consumer services, such as cell-phone, fax and international travel; and international support to other international carriers.

The two European companies yesterday paid \$3bn for a new class of Sprint preference stock, giving them each a stake of about 7.5 per cent of Sprint's voting power. The two companies will make the rest of their investment after Sprint Cellular Co, the mobile telecoms division, has been spun off later this year, bringing their final investment to \$4.2bn.

Global One will face strong competition from the two existing global telecoms alliances which have a considerable headstart. AT&T, the US operator which is the world's biggest, has linked up with four European operators in a venture called Uniworl. British Telecom, the UK-based group, and the US company MCI make up the second leading global telecoms alliance, known as Concert.

The launch of Global One will come as a considerable relief to Deutsche Telekom, which has had a bad start to the year. The state-owned company faced public criticism of its tariff changes on January 1 and this week had discounts for corporate clients delayed by Mr Wolfgang Bösch, the German post and telecoms minister.

Yesterday, the company said it was temporarily withdrawing a number of digital telecoms services such as conference calls and call-holding used by about 80,000 customers. Deutsche Telekom said "countless" customers had called in to complain of false billing.

## Total climbs 9% before FF1.5bn provisions

By Paul Abrahams in Paris

Total, the French oil and gas group, yesterday followed Elf Aquitaine and its US competitors by making big provisions to comply with new US accounting standards.

The accounting standards and restructuring charges reduced net income by FF1.5bn (\$292.5m). Excluding these, net profits for the year to December rose 8.5 per cent from FF3.4bn to FF3.8bn. Earnings per share improved 8.3 per cent from FF14.6 to FF15.8, while earnings per ADR increased 30 per cent to \$1.58.

The results were in line with forecasts. However, the accounting standards charges, which knocked FF1.5bn off net

profits, were higher than expected. Analysts had been expecting about FF300m. The standard FAS 121 limits the book value of assets to their market value. The other, FAS 106, covers medical and life insurance coverage.

One London-based analyst commented: "It may be cynical, but by taking these substantial charges and then backdating the accounting standard to the beginning of the year, Total's depreciation charge falls by some FF2bn, and its return on equity is naturally flattened."

The group aims to have a 10 per cent return on equity in 1998. The shares rose FF3.4 to close at FF149.70. Group sales fell 1 per cent from FF137bn to FF136bn,

held back by the 10 per cent decline in the US dollar against the franc in the year.

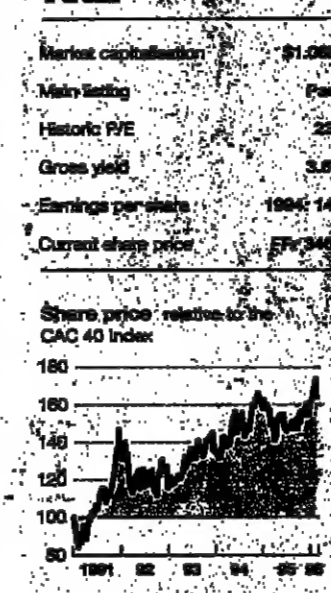
The upstream operations offset weak downstream results. The exploration and production division posted trading profits up 47 per cent from FF3.9bn to FF4.4bn. The results were lifted by higher average crude oil prices, up from \$15.80 in 1994 to \$17.05 last year. Production rose 6 per cent to 689,000 barrels of oil equivalent a day (boe/d). The mix also helped: non-Middle East production, which does not suffer from fixed margins, increased 11 per cent to 382,000 boe/d, although this was a little below forecasts.

Mr Thierry Desmarest, chairman, said Total continued to invest heavily in upstream activities outside the Middle East. Capital spending in this area was FF6.2bn last year, and would reach FF7.1bn this year. He said he hoped production outside the Middle East would reach 450,000 boe/d this year.

Total was also working to keep down production costs, said Mr Desmarest. These had fallen from \$11.6 a barrel in 1992 to \$9.1 last year.

In contrast, the downstream refining and marketing division suffered from poor refining margins and a price war in the UK. Hopes of a recovery in the second six months had not materialised. Operating profits fell 46 per cent from FF2.4bn

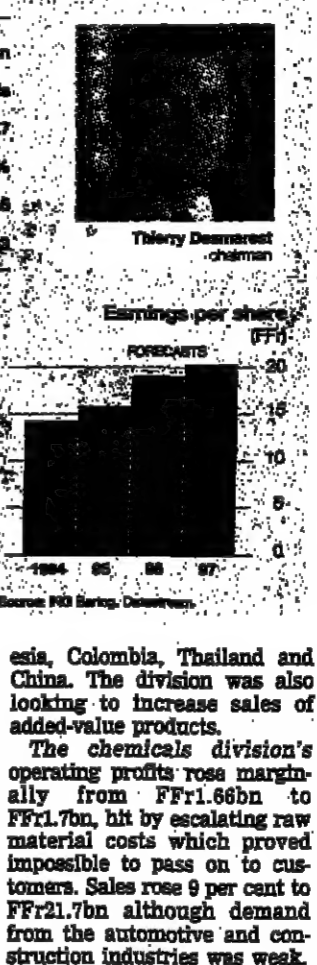
to FF1.3bn.



Mr Desmarest said Europe's refining industry suffered from 10 to 15 per cent overcapacity, but he held out little hope for an organised pan-European restructuring.

In the meantime, Total had rationalised downstream activities in Portugal and the US, and had decided not to invest in the Czech Republic. It was, instead, concentrating on high-growth regions such as India,

Colombia, Thailand and China. The division was also looking to increase sales of added-value products.



The chemicals division's operating profits rose marginally from FF1.66bn to FF1.7bn, hit by escalating raw material costs which proved impossible to pass on to customers. Sales rose 9 per cent to FF21.7bn although demand from the automotive and construction industries was weak.

## Agnelli warns of difficult year for Fiat

By John Simkins in Milan

Mr Giovanni Agnelli, who steps down as Fiat's chairman next month, yesterday forecast a "difficult year" ahead for the company against a background of poor prospects for economic growth worldwide.

In his last annual letter to shareholders, Mr Agnelli said the Turin-based company expected consumer demand to be flat, as it became in the second half of 1994. Demand for cars was expected to stay at the same level, and the market for commercial and agricultural vehicles would be quiet.

Figures released by Fiat showed group turnover had risen from L85,942bn in 1994 to L75,500bn (\$46.8bn), in line with analysts' expectations. Taking into account disposals of subsidiaries during the year, this represented an increase of almost 17 per cent.

Operating income was estimated at L3,400bn, against L2,678bn, which would put the group in line for a net profit for the year of about L2,000bn, a figure already signalled by



Giovanni Agnelli: expects consumer demand to be flat

indicate the company is returning to its roots as a vehicle maker. Fiat Auto had a turnover of L38,706bn, up 16.6 per cent, and sales at Iveco, the commercial vehicles arm, rose 30.6 per cent to L11,099bn.

Mr Agnelli said Fiat would not be deterred from its policy of internationalisation and concentration on its core business by problems that might arise from pay negotiations with unions and the heavy tax burden on the company.

After yesterday's board meeting, the group confirmed that Mr Roberto Testore would become Fiat Auto's managing director when Mr Paolo Cantarella leaves the post to become the group's chief executive. Mr Paolo Marinsek will succeed Mr Testore as chief of the Comau automation unit.

Lex, Page 14

## Danone depressed by restructuring charge

By Paul Abrahams

A FF1.5bn (\$351m) charge to restructure Danone's European operations knocked the French food group's full-year net profit, which tumbled 39 per cent from FF3.62bn to FF2.13bn. Nevertheless, the board proposed the dividend should be maintained at FF16.

The exceptional charge was to cover the restructuring of non-French European businesses during the next three years. The results also suffered from higher French tax rates,

which cut FF1250m off net profits. Excluding the charges, net profits would have been about FF2.38bn, below market expectations.

Operating income rose 4.3 per cent from FF6.72bn to FF7.7bn. The group said operating margins slipped slightly from 9 per cent to 8.3 per cent. In Europe they were 9.3 per cent, a slight decline caused by the high cost of PET for plastic mineral water bottles. Non-European margins improved from 5 per cent to 5.9 per cent over the period.

Turnover increased 3.4 per cent from FF76.82bn to FF79.45bn. At constant exchange rates and excluding acquisitions the increase was 4.6 per cent. In Europe, sales rose 3.2 per cent. Mr Antoine Riboud, chairman, said there had been a significant slowdown in the region, particularly during the second half.

Elsewhere, sales rose 46 per cent to FF11.3bn, helped mainly by acquisitions. Underlying non-European growth was 11.9 per cent. Danone said

that it planned to achieve non-European sales of FF20bn within five years.

As part of its international strategy, the group said it was launching a new bottled water brand in the US called Danone. The company said this would be positioned to take advantage of the expected doubling of the US bottled water market by the end of the decade.

The group also announced it acquired 70 per cent of Haomen Brewery, one of the largest in the Beijing region and among China's top 10 brewers.

## TOTAL 1995 ESTIMATED 1995 NET INCOME

Estimated 1995 Net Income 1994 Net Income

(in billions of French francs)

Operating income before special items

7.4 | 7.0

Net income Group share before special items

3.7 | 3.4

Net income Group share after special items

2.2 | 3.4

Group EPS

11.2 | 12.3

Operating income by Business Segment (before special items)

1995(e) 1994

4.4 | 3.9

1.3 | 1.4

7.4 | 7.0

Non Middle East output

382,000 boe/d | 345,000 boe/d

Middle East oil and gas output

287,000 boe/d | 287,000 boe/d

Proven Reserves

4,466 Mboe | 4,303 Mboe

1995 1994

Consolidated Sales

136FFbn | 137FFbn

Investments/Dividends

12.1 / 2.3FFbn | 13.5 / 3.0FFbn

Net debt to equity ratio

18% | 22%

## TOTAL REPORTS A 9% INCREASE IN THE ESTIMATED 1995 NET INCOME BEFORE SPECIAL ITEMS

Meeting on January 30th, TOTAL's Board of Directors chaired by Thierry DESMAREST was informed of the Group's estimated 1995 financial results. Net income (Group share) before special items amounted to FF 3.7 billion compared with FF 3.4 billion in 1994. Taking into account the slight increase in shares outstanding over the year, fully diluted earnings per share before special items came to FF 15.8 in 1995 versus FF 14.6 in 1994, an 8% increase. Using the average exchange rate for the year, the earnings per ADR (American Depositary Receipt) rose by 20% to \$1.58 in 1995 from \$1.32 in 1994.

In 1995, the application of new US accounting standards and expenses linked to new restructuring programs reduced net income by FF 1.5 billion. Net income (Group share) after special items totaled FF 2.2 billion.

## Net income reduced by special items

New accounting standards TOTAL elected to apply as from 1995, as previously announced, the new US FAS 121 accounting standard, which limits the book value of assets to their market value. As a result, non recurring writedowns were recorded for the year mainly in exploration-production for fields in Norway, the United States and Vietnam. These charges reduced operating income by FF 1.3 billion and net income (Group share) by FF 0.8 billion, or about 1% of noncurrent assets. In addition, the FAS 106 standard concerning

medical and life insurance coverage for employees had a negative impact on net income of FF 0.2 billion. Application of these new American standards reduces the net income (Group share) by FF 1 billion, without any impact on the cash flow. Restructuring restructuring programs announced in 1993, the Ark City refinery in the US, withdrawal from Petrol in Portugal, rationalization of the palm segment and reduction of headquarters staff - reduced net income (Group share) by FF 0.3 billion, and cash flow by FF 0.4 billion.

## Operating income before special items increased due to production growth and productivity gains

Operating income from the business segments before special items rose to FF 7.4 billion in 1995 from FF 7.0 billion in 1994, in a mixed oil environment. The average Brent price increased to \$17.10/barrel in 1995 from \$15.80 in 1994, but refining margins in both Europe and the United States fell to very low levels during the year. In Europe, the average margin was \$11.40 per tonne (\$1.36/barrel) in 1995 versus \$13.40 per tonne (\$1.84/barrel) in 1994. The 10% decline in the Dollar-Franc exchange rate also had a negative impact. Taken together, these external factors reduced the Group's operating

income by about FF 1 billion. Once again, operating income growth came from productivity gains and greater rationalization within the Group as well as from an increase in oil and gas production. These two factors added FF 1.1 billion to operating income, more than offsetting the adverse effect of market conditions. Exploration expenses decreased by FF 0.1 billion and depreciation declined by FF 0.2 billion as a result of adopting FAS 121 effective January 1, 1995, and thus accounting for the remaining increase in the operating income before special items.

## Upstream Segment shows strong growth

The Upstream Segment enjoyed strong growth in operating income, driven by a combination of higher crude prices, an 11% increase in non-Middle-East output to 382,000 boe/d from 345,000 boe/d in 1994; productivity gains aimed at reducing technical production costs, and lower

operating expense. Middle-East oil and gas output was maintained at 287,000 boe/d. TOTAL's proven reserves continued to expand, rising to 4,466 million boe from 4,303 million boe in 1994. This increase comes from non-Middle-East reserves only (+8%).

production and growth of the marketing activities in expanding countries. Resulting gains however were eroded by the retail price war in the United Kingdom and the devaluation of a number of African currencies.

## Sustained growth in the Chemicals Segment despite adverse business conditions in Europe

The Chemicals segment posted a 9% increase in sales over 1994 at FF 21.7 billion. This strengthening however did not feed through to proportional growth in operating income. This was due to lackluster

European building and automotive markets, which are the main outlets for the Group's specialty chemicals business. Moreover, price increases in raw materials proved difficult to pass on to consumers.

## A sound financial situation and a rising investments budget for 1996

Consolidated sales were about stable at FF 136 billion, as underlying growth was hidden by the dollar decline. Cash flow came down to FF 11.2 billion in 1995 from FF 12.3 billion in 1994, due to currency fluctuations, lower disposal gains and to the negative impact of some exceptional items. Gross investments amounted to FF 12.1 billion in

1995 versus FF 13.6 billion in 1994. Discrepancies came to FF 2.3 billion in 1995 compared with FF 3.9 billion in 1994. Capital spending budget figures are set at FF 13.6 billion in 1996, a 29% increase relative to 1995 achievements. The Group's financial situation is sound, with a net debt-to-equity ratio of 18% at December 31, 1995 versus 22% at year-end 1994.



TOTAL - 24 Cours Michélet - 92069 Paris La Défense Cedex - France

مكتبة الدكتور محمد



## Not That We're Merging, We Can Simply Do It From Across The Hall.

Left to right: Ed Miller, President - Chemical Banking Corp.  
 Michel Kruse, Vice Chairman/Global Financial Services - Chase Manhattan Corp.  
 Walter Shipley, Chairman/CEO - Chemical Banking Corp.  
 Tom Labrecque, Chairman/CEO - Chase Manhattan Corp.  
 Bill Harrison, Vice Chairman/Global Wholesale Banking - Chemical Banking Corp.

Chase and Chemical have long envied each other's capabilities. But through it all, there was one trait we both shared: exceptional client focus. That's why our agreed merger is more than just combining our capabilities. It's an integration of our abilities to deliver the best solutions. An integration of people and ideas. It's a leveraging of our leadership positions to identify new opportunities for your business. It's teamwork across all lines of business to solve your individual needs. Whether those needs are on the other side of the street, the other side of the country or the other side of the world.



CHASE



CHEMICAL

## INTERNATIONAL COMPANIES AND FINANCE

## AMERICAS NEWS DIGEST

## IBM acquires Tivoli in \$743m cash deal

IBM has agreed to acquire Tivoli Systems, a US supplier of computer networking software and services, for \$743m in a cash tender offer. IBM will offer Tivoli shareholders \$47.50 a share, a sharp premium on Tivoli's closing price on Tuesday of \$37.75 a share. Yesterday, Tivoli's share price jumped to \$47 in early trading. The \$743m price includes the purchase of Tivoli's outstanding shares, the vesting of a portion of the company's employee stock options, fees and expenses, less Tivoli's current cash, the companies said.

Tivoli, based in Austin, Texas, provides systems management software and services for corporate computer networks and had revenues last year of \$50m. The acquisition will augment IBM's existing networking products and is in line with the company's strategic focus on "network-centric" products. IBM said it would take an unspecified charge against earnings to write off software under development, in line with standard accounting rules.

Louise Kehoe, San Francisco

## Bethlehem Steel sees setback

Recent price reductions and severe weather in parts of the US in the early weeks of this year will hold back earnings growth at Bethlehem Steel in the first quarter of this year, Mr Curtis Barnett, chairman, said yesterday. His comments came as the second-biggest steelmaker in the US reported net income of \$32m, or 20 cents a share, for the final three months of last year, almost unchanged from the year before. Full-year earnings climbed by \$9m to \$180m, or \$1.24 a share.

Mr Barnett offered a cautiously optimistic view of 1996, with "moderate and sustainable" economic growth and a strengthening of demand after the final months of 1995, when customers had been working their way through high inventory levels. He added, though, that new steelmaking capacity in the US would make the market more competitive.

Bethlehem's operating profits were \$31 on each of the 2.14m tons of steel shipped in the final quarter, compared with \$23 a ton the year before.

Richard Waters, New York

## Bank of Nova Scotia expands

The Bank of Nova Scotia has agreed to take a majority stake in Grupo Financiero Inverlat, which owns Mexico's fifth-largest bank. Sources close to developments said that the two banks and the Mexican government had agreed that the Canadian bank would increase its participation in Inverlat from its current 8.5 per cent to between 51 per cent and 56 per cent. At present, Mexican government banking regulators have control of Inverlat.

Daniel Dornberg, Mexico City

## Glencore buys into Alumax unit

Glencore, the international trading group based in Switzerland, is paying \$88.3m to Alumax, third-largest of the US aluminium producers, for a 23 per cent interest in the Mount Holly aluminium smelter at Goose Creek, South Carolina. Alumax said the deal would generate a pre-tax gain in the first quarter of 1996 of more than \$75m. The proceeds would be applied against the early repayment of a \$80.7m promissory note payable to Glencore in May this year.

The US group will retain a 50.33 per cent stake in the smelter, which has the capacity to produce 182,000 tonnes a year, and management control. As a condition of the sale, Glencore's entitlement under a tolling arrangement that terminates in July 1996 has been reduced from an annual 50,715 tonnes to 48,980 tonnes.

Kenneth Gooding, Mining Correspondent

## Closure costs put Asarco in red

A \$79m after-tax charge pushed Asarco, the US mining group, into a net loss of \$11m, or 27 cents a share, for the fourth quarter of 1995, compared with net earnings of \$46m or \$1.15 a share in the comparable period. Sales in the quarter rose 36 per cent to \$800m.

The charge related to the closure of lead refining operations in Nebraska, changes in accounting and additional reserves. Excluding the charge net earnings were \$68m or \$1.60 a share.

The company was helped by higher prices in the fourth quarter compared with 1994. Mr Richard Osborne, chairman, said the company expected another good year in 1996. "Market fundamentals remain positive," he said. For the full year Asarco reported net earnings of \$166m including the charge, against \$64m for 1994, on sales up 60 per cent to \$3.2bn.

SPCC, the largest mining group in Peru, announced net earnings of \$88m, or \$1.04 a share, for the fourth quarter 1995, against \$31m, or 47 cents a share, in the comparable period. For the full year, net income rose from \$91m to \$217m on sales up 32 per cent to \$829m.

Clare Gascoigne

## CORRECTION

## Oracle

The FT reported on January 30 that Oracle is expected to invest in a satellite joint venture formed by MCI and News Corp. Oracle is, in fact, expected to invest in a different MCI-News Corp joint venture that is developing online information services.

## Strong Marlboro sales lift Philip Morris 16.5%

By Richard Tomkins  
in New York

Strong sales of the company's flagship Marlboro cigarettes helped Philip Morris, the US tobacco and food group, record a 16.5 per cent jump in net profits to \$1.3bn in the fourth quarter, the company reported yesterday. Earnings per share rose 20.5 per cent to \$1.53, a touch above the \$1.52 expected by analysts.

The results rounded off a year in which net earnings rose by 15.9 per cent to \$5.5bn, mainly because of sharply higher income from world-wide tobacco and solid results from North American food.

Full-year earnings per share, boosted by \$2.1bn worth of share repurchases, rose by 19.4 per cent to \$6.51.

Mr Geoffrey Bible, chairman and chief executive, said he

looked forward to another "robust" year in 1996, with much of the growth coming from increased cigarette sales. The world-wide tobacco business was "absolutely flying right now," he said.

Philip Morris said fourth-quarter volume growth in its international tobacco business was upset by abnormal trade buying patterns, but for the full year, the total number of cigarettes sold rose by 10.7 per cent to 593bn and operating profits rose by 20 per cent to \$3.5bn.

This reflected the growing demand overseas for American-style cigarettes, the company said. Volumes and market shares set new records in most important areas, and there was a surge in exports to central and eastern Europe.

In the US, the domestic tobacco business benefited from a market trend away from low-price cigarettes towards premium brands.

The number of Marlboro cigarettes sold in the full year rose by 5.3 per cent to 144.9bn, and the brand's market share rose by 2.5 percentage points to a record 30.1 per cent.

Total cigarettes sold by Philip Morris in the US rose by 1.1 per cent to 221.8bn, and the division's full-year operating profits rose 13.3 per cent to \$3.7bn.

On the food side, the North American operations had a relatively good year with full-year operating profits rising 7.5 per cent to \$2.4bn. Margins rose because of the cost savings resulting from a realignment of the business.

The international food business, helped by lower costs

## COMPANY PROFILE

## Philip Morris

Market capitalisation \$78.3bn

Main listing New York

Historic P/E 14.6

Gross yield 4.3%

Earnings per share 1994: \$5.45

Current share price \$95

Share price relative to the S&P Composite

Source: FT Index

Net income (\$bn)

1st 3 quarters

Earnings per share (\$)

FORECAST

Source: ING Barings

Miller Brewing's volume was down slightly, but profits rose on higher sales of premium products.

and growth in emerging markets, increased operating profits by 5.6 per cent to \$1.2bn.

## Novell agrees \$116m disposal of WordPerfect

By Louise Kehoe  
in San Francisco

Novell, the US computer software company, has agreed to sell WordPerfect and other office application products to Corel, a Canadian graphics software company, in a deal valued at \$116m - a fraction of the price Novell paid to acquire the products less than two years ago.

The sale is the latest move by Novell to refocus on its core computer networking products in the face of stiff competition from Microsoft, the world's largest software company.

Novell acquired WordPerfect, a devel-

oper of word processing programs, for \$1.4bn in 1994. At the same time it also purchased QuattroPro, a spreadsheet application, from Borland International. These and related products formed the basis of Novell's office applications suite, PerfectOffice.

Novell's attempt to expand into the office applications market placed it in head-to-head competition with Microsoft's Office products, and Novell failed to gain ground.

Microsoft Office now holds more than 90 per cent of the world market for office application suites.

Under the terms of the deal announced yesterday, Corel will pay

\$10.75m in cash and about 9.95m in Corel shares, which represents about 30 per cent of the Ottawa-based company's shares outstanding. Novell is now entitled to nominate a director to Corel's board.

Corel will also license Novell's Group-Wise communications software, electronic publishing software and other technologies paying a minimum royalty of \$70m over the next five years, the companies said.

Novell said that after costs and other charges, the agreement will result in a slight one-time gain in its fiscal second quarter ending April 27.

Corel said it saw the purchase as an

important step to broaden its product line and expand its customer base among the estimated 20m users of WordPerfect. "We think that the public will be excited by the new potential of the WordPerfect products as they are combined with the graphics and multimedia strengths of Corel," said Dr Michael Cowpland, Corel chief executive.

Analysts were sceptical, however, about Corel's abilities to revive sales of WordPerfect, which fell sharply last year when Novell fell behind in developing new versions of the office programs for use with Microsoft's Windows 95 software.

## GM awakens to the value of the brand

After decades of confusion between its many marques, General Motors, the world's biggest car maker, is rediscovering the brand. At the Detroit Motor Show in January, Mr Richard Wagoner, head of GM's North American operations, heralded an era of brand differentiation inaugurated by the group's new mid-sized car range.

Dubbed BrandScape, the strategy aims to identify broad, clearly distinguishable categories of buyers at which future cars will be directed.

Pontiac, one of GM's four main brands, will be targeted at younger motorists looking for "excitement". By contrast, Chevrolet will be the group's entry-level product, offering attractive, no-frills transportation.

Although sharing a common platform and many parts, the four new cars unveiled last month are styled differently to try to cater for the tastes of their target customers. While the front of the new Pontiac Grand Prix is pronounced and aggressive, its sister, the Buick Century, has a conservative front-end paired towards older, more traditional buyers.

For managers in, say, the food industry, where branding has been the name of the game for decades, such tactics may seem naive. Even Mr Jack Smith, GM's chairman, admitted the new approach was "hardly rocket science".

Discovering the value of the brand, even late in life, is a big step forward for GM. Over the past decade, the group's share of the US new car market has fallen from more than a half to only a third. The Oldsmobile and Buick brands have deteriorated the most in that time, in part because of failures to distinguish between them.

Matters were not helped by GM's structure, which vested great power in individual brand managers at the expense of central control from the group's head office. Mr Smith is adamant that GM will not repeat the mistakes of the past, when brand heads often spent more time trying to win business from

other GM subsidiaries than from the competition. "In the future, success will be measured by hitting a brand's target, not by hitting another brand's target and claiming it's a success," he says.

To implement the new approach, GM late last year headhunted Mr Ron Zarrella from the Bausch & Lomb eyecare group to take charge of sales, service and marketing for its North American arm. With a background in con-

sumer products and the support of Mr Smith, Mr Zarrella will be one of a small team of managers entrusted with pushing through the new strategy.

US motor industry analysts generally support GM's move, seen as long overdue. Many, however, warn of pitfalls: the greatest risk is that the group may have misjudged its market research. "If they have misdefined their target groups, they could end up worse off than before," says one analyst.

Mr Smith says GM has developed some very sophisticated techniques in analysing and categorising responses from customers.

The risk of "fuzziness" in defining customer segments is most acute with Buick and Oldsmobile, the two GM brands which least fit into any obvious categories.

Under BrandScape, Oldsmobile will increasingly cater for younger buyers who might have opted for the perceived quality and style of a European or Japanese import, while Buick will appeal to older, more traditional US buyers.

The new policy will put a premium on styling. Cars in future will not only have to look different, but appeal visually to the precise categories of buyer identified for each brand. The constraint, however, is that they will share basic platforms and components to keep production and development costs down.

Making cars which look different but share much beneath the skin can be done - witness the success in Europe of France's Peugeot-Citroën.

However, building different-looking cars based on shared parts is slow, and can take more than one generation of a vehicle to come to fruition.

Most of the basic thinking behind the latest GM models took place long before the introduction of the BrandScape strategy, so the real test will be with future product launches, expected to include minivans (people carriers) and lower mid-sized models.

Success may also depend on the outcome of GM's related plans to restructure its dealership network around its brands. At present the company has too many US dealers, often resulting in harmful and pointless competition. Also, most dealers sell the full range of GM vehicles - as well as other manufacturers' products in many cases. That dilutes the brand focus at retail level.

GM hopes, over the next decade, to close a quarter of its 8,500 dealerships and to encourage those that remain to focus, where possible, on one brand only. But that will be a long and expensive process.

Haig Simonian and Richard Waters

Merger costs hold back Kimberly-Clark

By Tony Jackson  
in New York

The first results from the US tissue maker Kimberly-Clark since its \$9.4bn takeover of Scott Paper showed operating profits in the fourth quarter up only 3 per cent before special items, at \$352m.

This was due largely to a fall in US sales at Scott. However, a sharply lower tax charge left net earnings up 32 per cent at \$355m.

For the full year, earnings from the merged group were up 51 per cent at \$1.1bn, on sales ahead 15 per cent at \$13.6bn. This was almost wholly offset by a previously announced fourth-quarter charge of \$1.07bn net, representing the costs of the merger.

The company said results from the old Kimberly-Clark were in line with analysts' expectations. However, sales and profits for the combined group had been held back by activities related to the merger, which was completed in December.

In addition, Scott had a weak December as US retailers cut orders to reduce inventories. The company said January

## Beta Funds unit to get round Cuba embargo

By Stephen Fidler,  
Latin America Editor

The first venture capital vehicle for investors in Cuba is being launched this week after 18 months of preparation.

Beta Gran Caribe is an investment company to be listed on the Dublin Stock Exchange and will be managed by Havana Asset Management, a subsidiary of the London-based Beta Funds International.

Latinvest, the London-based broker acting as placing agent, said the company was expected to raise \$F35m (\$28.8m). The formal launch began last Friday and settlement is set for Monday.

Beta Gran Caribe has taken about 18 months to put together. Mr Peter Scott, Beta's chief executive, said the amount likely to be raised was about in line with expectations. However, the size is at the low end of previously stated targets.

It will concentrate on investments in property, tourism, biotechnology, agriculture and one or two other areas. Mr Scott said a number of investments were almost ready.

In deference to the US embargo of Cuba, Beta Gran Caribe has not been marketed in the US and is denominated in Swiss francs so as not to fall foul of the embargo on the clearing of US dollars. The name of the company was changed to avoid the word Cuba appearing in the title.

The embargo made marketing more difficult, particularly given the uncertainty surrounding possible legislation now in the US Congress to tighten the embargo. Its original adviser, S.G. Warburg, dropped out after its merger with Swiss Bank Corporation.

The launch was also delayed until after the flotation of Sherritt International, one of the most prominent investors in Cuba, which was spun off from the Canadian mining company Sherritt.

Sherritt International, whose interests include a 50 per cent stake in a joint Cuban-Canadian nickel venture, as well as oil and gas properties and hotel investments in Cuba, was marketed as the equivalent of an investment fund in Cuba.

The Beta Gran Caribe units are priced at \$F50, each consisting of five shares with one warrant attached. They are partly paid: half is payable on subscription and the rest after a year.

Beta, which has some \$260m of funds under management, specialises in managing equity investments in more exotic emerging markets, which often lack developed stock markets, usually through affiliates based in the country with local expertise.

It also manages the Beta Vietnam Fund, launched in 1993 with some \$70m, and the Beta Mekong Fund, launched in December 1994 with just over \$25m to invest in Indonesia. Its subsidiary Beirut Investment Management is also planning a Lebanon fund of some \$30m.

## KB IFIMA N.V.

KB Internationale Financieringsmaatschappij N.V.

US\$ 150,000,000

Guaranteed Floating Rate Notes due 2011

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from January 31, 1996 to April 30, 1996 the Notes will carry an Interest Rate of 5.525% per annum.

The Interest Amount payable on the relevant Interest Payment Date, April 30, 1996 against coupon No 40 will be US\$ 138.13 per US\$ 10,000 principal amount of Note and US\$ 3,453.13 per US\$ 250,000 principal amount of Note.



## Union Bank of Norway

U.S. \$27,000,000

Subordinated Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th April, 1996 has been fixed at 7.2375% per annum. The interest accruing for such three month period will be U.S. \$9,046.88 per U.S. \$500,000 Note against presentation of Coupon Number 15.

Union Bank of Switzerland  
London Branch Agent Bank  
29th January, 1996

## THE TAX FREE WAY TO PLAY THE MARKETS\*

CITY INDEX

\*We are the leaders in financial and commodity spread betting. Accounts are normally opened within 72 hours. Up-to-date prices three-times a day. 999 Traders. CMC, Floor traders and brokers. \*Application form and call 0171 352 3467.

## Argus Fundamentals

"Understand what is driving oil prices"

Petroleum Argus

CALL for a FREE TRIAL, to the Monthly publication on 044 171 352 3467

## T. C. Ziraat Bankasi

(incorporated in the Republic of Turkey with limited liability)

U.S. \$140,000,000

Floating Rate Notes due 2001

Notice is hereby given that the Interest Rate for the period from 31st January, 1996 to 31st July, 1996 is 6.5%. The Floating Rate Note Interest Amount payable on 31st July, 1996 is U.S. \$328.61 per U.S. \$10,000.

In accordance with clause 6(c) of the Terms and Conditions of the Notes, the Interest Rate applicable for those Noteholders who have elected to Redeem their Notes on 31st July, 1996 is 6.125% and the Floating Rate Note Interest Amount payable will be U.S. \$309.65 per U.S. \$10,000.

Bankers Trust Company, London Agent Bank

## International Bank for Reconstruction and Development

ECU 450,000,000

Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th April, 1996 has been fixed at 4.1875% per annum. The interest accruing for such three month period will be ECU \$2.34 per ECU 5,000 Bearer Note, and ECU 1,046.88 per ECU 100,000 Bearer Note, on 30th April, 1996 against presentation of Coupon No. 15.

Union Bank of Switzerland  
London Branch Agent Bank  
29th January, 1996

## Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

Notes for prospectus distributed for the purpose of the publicly quoted and listed securities of the company

## Merger costs hold back Kimberly-Clark

## INTERNATIONAL COMPANIES AND FINANCE

## Write-offs to put Hokkaido Bank in red

By Gerard Baker in Tokyo

Hokkaido Bank, one of Japan's larger regional banks, said yesterday a big increase in planned write-offs of bad loans would force it to declare a loss for the year to the end of March, its first for nearly 50 years.

Mr Toshiaki Yamashiro, the bank's president, said the recurring loss - before extraordinary items and tax - would be about ¥39bn (\$364m), against a forecast three months ago of a recurring profit of ¥3.6bn.

After-tax, the loss would be ¥32bn, compared with a forecast profit of ¥1.6bn. The full-year dividend would be halved to ¥2 per share.

The deficits stem from the management's decision to write off ¥80bn in non-performing assets.

The bulk of the write-offs will be property-related advances to third parties, most of them made during the "bubble" years of the late 1980s; the remainder to be disposed of consists of ¥28bn in loans to affiliated non-bank financial institutions, and

¥9bn to the country's now bankrupt housing loan companies.

The liquidation of the housing lenders is currently under consideration by the Japanese government and parliament.

The plan proposed by the authorities calls for banks to write off a substantial portion of their lending to the companies as soon as possible. The bank plans to cover ¥28bn of the write-offs from its core banking profit for the year, and a further ¥12bn from sales of securities. The balance

represents the recurring loss.

Regional banks are as yet not required to disclose much more than limited details about their nonperforming loans, but Mr Yamashiro said yesterday that total bad loans, including so-called restructured loans, where the interest rate has been cut to keep a borrower afloat, would be ¥178bn at the end of March.

The recurring loss, which is bigger than the bank's combined recurring profit for the past five years, will give new urgency to the company's continuing rationalisation

programme, designed to cut payroll numbers by 10 per cent over the next two years. Officials said yesterday the bank would close four of its overseas offices as part of the restructuring, including the New York branch.

Hokkaido Bank, based in Sapporo in northern Japan, operates 143 branches at home and abroad.

In the year to the end of March 1995 it reported recurring profit of ¥3,563bn, and after-tax profits of ¥1,561bn from total assets of ¥3,400bn.

## Philippine Airlines doubles its losses

By Edward Luce in Manila

Philippine Airlines (PAL), the ailing national carrier, more than doubled its losses to 2.64bn pesos (\$577.5m) during the first nine months because of higher maintenance costs and a share dispute with the government which has prevented it from raising fresh capital.

Mr Jaime Bautista, chief financial officer of PAL, said yesterday that losses on routes to Europe had been worsened by the airline's inability to raise money to buy new aircraft, which would have allowed PAL to fly non-stop on long hauls and eliminate stop-over charges. Competition in the recently liberalised domestic market also hit revenues.

PAL's 2.04bn-peso deficit exceeds its full-year projection of a 1.72bn-peso loss in net income for the year ending March 31. However, Mr Bautista indicated yesterday that the dispute between Mr Lucio Tan, chairman of the airline, and government shareholders, which have a 53 per cent direct stake in the carrier, appeared to have abated.

The airline, which has been prevented since March 1995 from increasing its capital base pending a court ruling on the dispute, said yesterday it had secured a \$500m syndicated loan from Philippine banks to buy new aircraft.

The government last December approved "in principle" Mr Tan's proposal to issue 1bn new shares in PAL at 5 pesos each and to waive its rights to purchase the fresh equity. This would allow Mr Tan to raise his stake in the airline to 51 per cent and assume full control. It is not clear when the rights issue will be.

The dispute between Mr Tan and the government started last March when the government contested Mr Tan's right to speak for its shares in a holding company - PR Holdings - which owns 51 per cent of the airline. PR Holdings is 51 per cent owned by Mr Tan, while government institutions have a 20 per cent stake. Under December's deal PR Holdings would be dissolved.

## ASIA-PACIFIC NEWS DIGEST

## Deloitte in error on BankWest float

An "administrative error" by the Deloitte share registry service, handling the flotation of Perth-based BankWest, has left some bank customers without share allocations on the eve of the company's stock market listing. The public offer for sale of 49 per cent of the bank's shares, after its purchase by Bank of Scotland, was heavily oversubscribed, but bank customers were to have been given preference.

However, the share registry apparently put a number of bank customers in the general ballot and, as a result, they failed to get stock. According to BankWest, Deloitte has conceded the error and agreed to rectify it at its own expense - even if this means buying shares in the market when trading starts today. BankWest said it could not quantify the number of bank customers who had been subject to the error but, based on telephone calls and fax messages, it was "more than just a handful". The shares were due to start trading at 8am Perth-time today, and were widely expected to reach a significant premium over the A\$2.05 a share offer price.

BankWest was sold by the Western Australian state government to Bank of Scotland for A\$900m (US\$668m) late last year. The UK bank, which will retain a 51 per cent interest in BankWest, stands to recoup around A\$450m (before expenses) from the flotation.

NICKY TAY, Perth

## Chinese small businesses for sale

Chinese authorities have given permission to foreign investors to buy the assets of some small state-owned enterprises in southern Guangdong province. The relaxation of restrictions of foreign ownership of state assets is part of a drive to rid the government of the burden of supporting large numbers of loss-making enterprises.

Guangdong said it had 32,163 state-owned industrial enterprises, of which 85 per cent were small-scale. However, about two-thirds were in the red, in part because of poor management and obsolete technology. The enterprises may be merged, annexed by larger companies, sold or declared bankrupt, it said.

Agencies, Beijing

## Foster's extends Mildara bid

Foster's Brewing Group, the Melbourne-based beer company, said it would extend its takeover bid for Mildara Blass, the largest listed independent winemaker listed in Australia, by 14 days to February 23.

It would offer early payment for shareholders who accepted before February 9. Foster's said it had received acceptances for 17.6 per cent of Mildara shares by Tuesday. Foster's is offering A\$7.75 cash per share, valuing the premium winemaker at A\$487m (US\$361m), in a bid which has been recommended by its directors in the absence of a more favourable offer. Big institutional shareholders and the privately-owned Scotch whisky distiller William Grant and Sons, which has 10.3 per cent, have not yet accepted the offer.

Reuters, Melbourne

## Chinese airline 'plans listing'

China Southern Airlines, one of China's three leading carriers, will need \$3bn in the next five years to purchase 30 to 25 large passenger aircraft and expand its business, the Hong Kong Economic Journal reported. "A portion of the money needed will be raised from a planned share listing in New York," Mr Zhu Decai, a senior adviser of the mainland airline, was quoted as saying.

Preparation work for the listing had basically been completed, Mr Zhu said, but he could not give a specific timetable since details were still awaiting relevant authorities' final examination and approval.

Agencies, Hong Kong

## Egyptian beer reaches out to foreign parts

Cairo today opens the envelopes containing bids for the Al Ahram brewery, writes James Whittington

Foreign investors' jokes about the Egyptian government not being able to organise a "bribe" in a brewery will fall flat if the plan to privatise Al Ahram Beverages, the state brewery, is seen through to a successful conclusion.

Having read technical bids submitted by two locally-led consortiums hoping to buy the monopolistic brewer, the state vendor will today open the most sensitive element of the sale - the price envelopes.

If one of the bids is successful, then Egypt's beer market is likely to be opened up to a foreign brewer looking to develop a new market. At the moment, foreign beers are imported on a small scale and attract a high rate of tax.

Despite having been criticised by the International Monetary Fund and the World Bank for dragging its feet on privatisation since the beginning of economic reforms in 1981, the Egyptian government has been noticeably reticent about this particular sale.

If it goes through it will be only the fourth, but the biggest, public sector company, out of more than 300, to be fully privatised.

For a Moslem country, whatever its liberal leanings, there is a natural tendency to be discreet about dealing with alcohol, which is banned by the

Koran. But there is also an inbred reluctance from the company and its owner, the Housing, Tourism & Cinema Holding Company - which is being advised on the sale by Arthur Andersen - to change the cosy public sector arrangement.

Most of Egypt's privatisations have been carried out in partial form through the Cairo stock exchange with the sale of 10 per cent tranches to local and foreign retail and institutional investors.

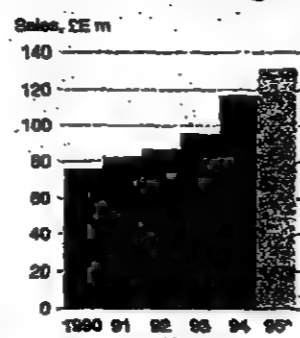
Fearing a backlash from Islamic critics the government shied away from putting the brewery on the bourse and called for an anchor investor who would bring technical know-how to modernise and upgrade the facilities.

The two local bidders are institutional investors who have promised to bring in technical assistance, or form a partnership with a foreign brewer, if they succeed in buying the company.

The favourite appears to be a consortium comprising the Egyptian Finance Company and Al-Ahly for Development & Investment, which is seeking to buy a 70 per cent majority stake leaving 30 per cent with the holding company.

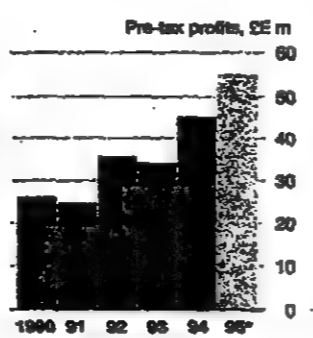
The other bidder wants to take a 50 per cent stake, but has raised eyebrows among

## Al Ahram Beverages



Source: Company

## Pre-tax profits, SE m



Estimates

Cairo's financial community since it is a consortium of public sector financial institutions led by National Bank of Egypt in partnership with another holding company. If successful, such a sale would in effect transfer state assets from one part of the public sector to another.

The vendor says the list of foreign brewers which the two bidders say have shown an interest in working with them if they buy the facility include the Dutch company Heineken, Denmark's Carlsberg, Germany's Holsten and Miller of the US.

Much depends on today's opening of the price offers. The valuation of state companies has been one of the prime reasons for Egypt's slow pace of privatisation.

Chairman of the 17 holding companies set up to carry out state sales and ministers have found it difficult to agree on suitable prices for public com-

panies which are not too high to turn away potential buyers and are not too low for them to be accused of selling on the cheap.

"A valuation of a state company like this is basically guesswork. All the assets have depreciated down to zero a long time ago and on an accountancy basis what will be paid is goodwill," said one financial analyst in Cairo.

According to Mr Hamed Fahmy, chairman of the holding company, the top end of a series of valuations of Al Ahram Beverages made by Bechtel, the US consultants, was E\$450m (\$133m).

But this includes the company's real estate valued at current prices. Like many public sector industries, the company's properties consist of prime sites in Cairo and Alexandria. In its unaudited 1995 results, the net worth, with assets including real estate at historical values, is put at E\$108.7m.

## Indonesian telecoms partners fall out

By Maruella Saragosa in Jakarta

The Indonesian consortium selected to install new lines for one of Telkom's five regional telephone service contracts is holding talks with other international phone operators following a dispute with Telekom Malaysia, its original partner for the project.

Under the regional contracts arranged last year by Telkom, the Indonesian domestic telecoms operator, five consortia were selected to install new lines in various parts of Indonesia. Each of the consortia was assigned a contract, called a KSO, which required it to work with an international telecommunications company.

Officials at Daya Mitra Malindo, the Indonesian consortium selected to install 287,000 new lines on Kalimantan, declined to name the international phone operators they are in talks with. However, it looks increasingly as if Telekom Malaysia will be dropped from the joint venture altogether.

An official at Daya Mitra Malindo who requested anonymity said differences between the consortium's Indonesian shareholders and Telekom Mal-

aysia "look like they may not be resolvable," and that there have been "discussions with other public telephone operators in the event that the matter with Telekom Malaysia is not resolved."

Telekom Malaysia said there had been no communication from Daya Mitra Malindo on the subject and that it was "too early to comment."

The disagreements between the two parties centre on paid-up capital and a performance guarantee which Daya Mitra Malindo's Indonesian shareholders want Telekom Malaysia to provide.

The dispute has created "bad blood" between the two parties, the Daya Mitra Malindo official said. As a result, the consortium and Telekom Malaysia were not able to start their 15-year assignment for the Kalimantan KSO at the beginning of this year as they were supposed to.

It is not clear how this delay will affect Telkom's earnings - the Kalimantan KSO is the smallest of the five contracts which pledge to install a total of 2m lines, although the KSOs are widely recognised as being critical to Telkom's earnings growth.

## MIM Holdings result hit by mine shutdown

By Bruce Jacques in Sydney

Profits at MIM Holdings, the Australian mining group, have been hit by extended industrial action last year at the company's Queensland base metal and coal operations.

The company yesterday reported a 26 per cent rise in net profits for the first half to December, from A\$43.4m to A\$55.9m (US\$43.7m), on a 19 per cent rise in revenues from A\$1.13bn to A\$1.34bn. The interim dividend is held at 2.5 cents a share.

However, the rise in profits relied on abnormal profit up from A\$19.3m last time to A\$43.4m, on the sale of shares in Metallgesellschaft, the German mining group, and restructuring of MIM's German debt.

Before abnormalities, the company's gross operating profit declined from A\$57.2m to

A\$44.8m. Directors said industrial action which caused a mine and plant shutdown last year had forced the company to purchase metal products to maintain contract supplies.

"Inventory distortions have severely impacted on the first half results, a direct consequence of the industrial problems last year. The impact of these distortions will be recovered in future periods, as sales volumes relate more closely to production volumes."

Prices received for most of the company's products improved in the year, with copper up 17.1 per cent, lead 8.2 per cent, zinc 2.3 per cent, gold 8.5 per cent, silver 7.8 per cent and coking coal 15.1 per cent.

The result followed a tax provision of A\$29.4m, compared with A\$31.6m last time. Depreciation rose from A\$100m to A\$113.6m while interest costs fell from A\$41.9m to A\$34.5m.



## Bristol-Myers Squibb Company

## Cash Offer for

## Pharmavit Gyógyszer-és Élelmiszeripari Részvénytársaság

(registered under the laws of the Republic of Hungary)

Bristol-Myers Squibb Holdings Limited, a wholly-owned subsidiary of Bristol-Myers Squibb Company, completed the acquisition of approximately 77% of the shares of Pharmavit Gyógyszer-és Élelmiszeripari Részvénytársaság, par value HUF 100, from Dr Imre Sornody and Genericon Pharma GmbH and its associates on 31 January 1996. Bristol-Myers Squibb also announces that the conditions to its cash offer made on 14 December 1995 have been fulfilled.

Bristol-Myers Squibb now owns or controls in excess of 99% of Pharmavit's shares.

On 26 January 1996, Bristol-Myers Squibb Holdings Limited announced that its cash offer had been extended until 16 February 1996, unless further extended. Any shareholders who intend to accept the cash offer should do so as soon as possible.

Pursuant to the cash offer, payment for shares and Global Depositary Shares in respect of which the offer was accepted on or before 31 January 1996 will be made by 10 February 1996. Payment for shares and Global Depositary Shares in respect of which the offer is accepted after that date will be made within 10 days of the date of acceptance. Accepting shareholders who have elected to receive Hungarian forints in cash may collect that cash from the office of Creditanstalt Securities Ltd., Nagysándor József u. 10, 1054 Budapest any time after the payment date described above. Shareholders who have accepted the offer and have elected to be paid by way of postal order or direct credit transfer to their bank account and holders of Global Depositary Shares need take no further action.

At an Extraordinary General Meeting of Pharmavit held on 31 January 1996, a resolution approving the withdrawal of Pharmavit shares from trading on the Budapest Stock Exchange was passed. Accordingly, Pharmavit will apply to the Budapest Stock Exchange for its shares to be withdrawn from trading as soon as possible.

Save as amended by this notice, the terms of the extended offer remain as set out in the offer document dated 19 December 1995.

The Board of Directors of Pharmavit has approved the publication of this notice.

If you are in any doubt as to what action you should take, you should contact one of the following:

Financial adviser to  
Bristol-Myers Squibb and  
International Broker  
to the Offer

Schroders  
120 Cheapside  
London EC2V 6DS  
Tel: +44 171 382 6000

and  
787 7th Avenue  
New York  
New York 10019  
Tel: +1 212 492 6000

Financial adviser to  
Bristol-Myers Squibb  
and Receiving Agent for  
Pharmavit Shares

Creditanstalt Securities Ltd  
Nagysándor József u. 10  
1054 Budapest  
Tel: +36 1 269 0711

Receiving Agent for  
Pharmavit GDSs

The Bank of New York  
46 Berkeley Street  
London W1X 6AA  
Tel: +44 171 322 6338

and  
Tender and Exchange Dept.  
101 Barclay Street  
New York  
New York 10286  
Tel: +1 800 507 9357

The contents of this announcement, for which Bristol-Myers Squibb Company and Bristol-Myers Squibb Holdings Limited are responsible, have been approved by J. Henry Schroder & Co. Limited, which is regulated by the Securities and Futures Authority Limited in the United Kingdom, for the purposes of Section 57 of the Financial Services Act 1986.

## American Brands Inc.

Notice of Redemption to Holders of  
AMERICAN BRANDS, INC.

US\$150,000,000

7 1/4% Convertible Debentures Due 2001

(the "Debentures")

NOTICE IS HEREBY GIVEN that, pursuant to Section 4(a) of the Terms and Conditions of the Debentures (which Terms and Conditions are endorsed on the reverse of each Debenture) and the terms of the Fiscal Agency Agreement dated as of March 5, 1991 (the "Fiscal Agency Agreement") between American Brands, Inc. (the "Company") and Citibank, N.A., as Fiscal Agent and Conversion Agent, the Company has elected to redeem on March 5, 1996 (the "Redemption Date") all of the outstanding Debentures at a redemption price of 103.8125% of the principal amount thereof (the "Redemption Price").

The Debentures shall become due and payable on the Redemption Date at the Redemption Price, which shall be paid upon presentation and surrender of the Debentures, together with all unexpired coupons maturing subsequent to the Redemption Date, at the paying agencies listed below. Accrued interest due March 5, 1996 will be paid in the usual manner upon presentation and surrender of the coupon for such interest payment. Interest on the Debentures will cease to accrue on and after the Redemption Date (unless the Company defaults in making the payment due upon redemption). The conditions precedent to redemption of the Debentures as aforesaid have occurred.

Pursuant to Section 15 of the Fiscal Agency Agreement and Section 11 of the Terms and Conditions of the Debentures, the principal amount of any Debenture may be converted into shares of Common Stock, par value \$3.125 per share, of the Company ("Common Stock") at a conversion price of U.S.\$53.19 per share, upon surrender of such Debenture, together with all unexpired coupons appertaining thereto and with the conversion notice thereon duly executed, at one of the conversion agencies specified below. The right to convert the Debentures into shares of Common Stock will terminate at the close of business on March 5, 1996 (unless the Company defaults in making the payment due upon redemption). On January 26, 1996 the closing price of one share of Common Stock as reported on the New York Stock Exchange Composite Tape was U.S.\$45.00. The value received by converting Debentures into shares of Common Stock is subject to change based on changes in the market value of the Common Stock.

## PAYING AGENCIES

Citibank, N.A.  
Boulevard General Jacques, 2639  
B-1050 Brussels  
Belgium

Citibank, N.A.  
Citicenter  
19 Le Parvis  
La Defense 7  
Paris, France

Citibank, N.A.  
2-1 Okenachi 2-chome  
Chiyoda-ku  
Tokyo 100, Japan

Citibank, N.A.  
Hengracht 545/549  
Amsterdam  
The Netherlands

Citibank, N.A.  
Citibank House  
336 Strand  
London WC2R 1HB  
England

Citibank (Luxembourg) S.A.  
58 Boulevard Grande Duchesse Charlotte  
L-1330, Luxembourg

Citicorp Investment Bank,  
(Switzerland)  
Bahnhofstrasse 63  
8021 Zurich  
Switzerland

AMERICAN BRANDS, INC.  
By: Citibank, N.A., as Fiscal Agent  
February 1, 1996

CITIBANK

## THE HANSON DEMERGER

## More enthusiasm inside the company than out

FT writers report on the reaction of management, analysts and shareholders

Hanson's demerger plans yesterday were attracting considerably more enthusiasm inside the company than outside it. The group's managers, who learned of the proposal only hours before it was announced on Tuesday, welcomed the opportunity for each division to stand or fall on its own merits.

Mr Bill Landuyt, future chairman and chief executive of the chemicals offshoot, said yesterday: "People like the chairman of Quantum and SCM would be much more motivated, with their personal wealth linked directly to the performance of their businesses through share options."

On the stock market, however, Hanson's share price fell 8 1/2p to 202 1/2p, more than wiping out its gain on Tuesday. There is thought to have been heavy selling by income funds, reflecting the expectation that total dividends will fall following the demerger.

The shares were further undermined by downbeat assessments from leading ana-

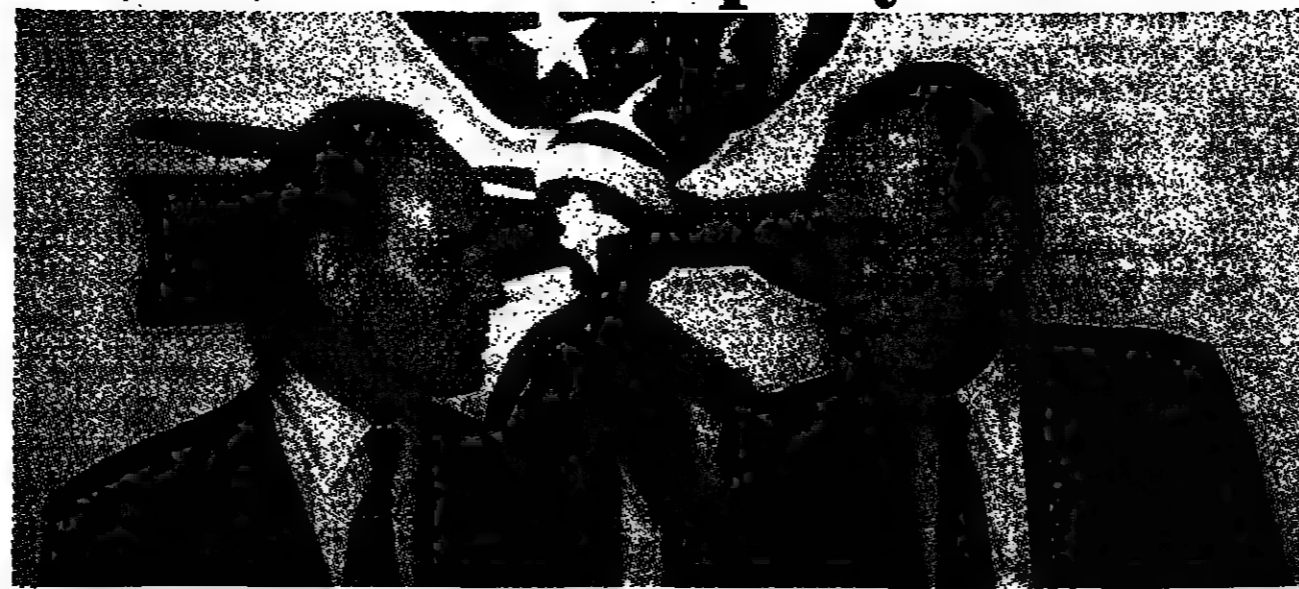
lysts, most of whom calculate the value of the demerged groups at below the current share price.

Hanson's announcement also received a sceptical response from investment managers. One said yesterday: "We have about a 2.5 per cent weighting in the company. We are not very impressed with Hanson. It's totally unclear what is in this deal for shareholders."

He continued: "It gives Hanson a get-out on the dividend. This move reflects the whims of a management on its way out. They have a lot of mediocre quality businesses and it is hard to see how any one of them is going to be worth more on their own."

Another institution said: "There are costs involved - the cost of borrowing goes up, the credit rating goes down."

A third commented: "We are very underweight. We have a stake because we have bought a few shares from time to time, but we have never really been able to understand the company. We have never been able



Derek Bonham, chief executive, left, with Lord Hanson before the annual meeting at which the demerger plan elicited few comments

to get the bits to add up to the total. We don't know the valuations of the four companies. Where are they going to dump the debt? Imperial may be a good company, but not if it's carrying all the debt."

Bondholders have been especially wary after US credit rating agencies cut ratings or signalled a possible downgrade.

One UK investment manager said yesterday: "We are lucky

we've been able to sell the bonds. We've been selling down over the past year. The quality of the debt cover will be impaired. Bondholders will be jumping up and down and equity holders aren't exactly over the moon either."

So far, Hanson has told bondholders only: "The balance sheet and funding for each new business will be carefully structured in order to secure a

suitably balanced financial profile for each company, taking account of its earnings and cash flow characteristics."

At Hanson's annual meeting, meanwhile, the demerger plan elicited few comments.

One shareholder asked the chairman: "Now that the bond has been drawn and quartered, does that mean the shares will be too?" Lord Hanson replied:

"Quartered, yes, but not hung and drawn."

Another small private investor told Lord Hanson he figured it made the shares worth 600p. The chairman said he could not comment on that valuation but, referring to earlier criticism of the group's all-male line-up of directors, added: "I thank you. If you were a woman, we'd have you on the board."

## CONGLOMERATES - By Martin Dickson

## Rumours of their death exaggerated

By Martin Dickson

First America's ITT, now Britain's Hanson. Do the decisions by these two classic conglomerates to break themselves up spell the death knell of this corporate life form?

The short answer is no, but the break-ups do underline changes in the business environment and investment fashion which mean conglomerates must work much harder than in the 1960s and 1970s to justify their existence.

It is difficult to talk of the conglomerate's death when some of the world's most successful businesses have many of the characteristics of the breed - a collection of unrelated, or loosely related businesses, built up by acquisition.

Take General Electric, with interests from aero-engine manufacturing to television broadcasting. It has become the largest company in the US, by market value, thanks to a long period of consistently strong financial results.

Hanson, in its classic 1980s form, represented a distinctly different kind of conglomerate: a predatory company with an emphasis on taking over under-performing, preferably low-tech manufacturing businesses, selling on some of the assets and making the remaining operations sweat.

In the UK, the same tag has attached itself to a handful of companies in the diversified industrial sector, notably those run by former employees of Hanson, such as Tomkins, Wessall and T T Group, though each would say its strategy is more focused than Hanson's.

That claim would also be made by BTR, with its emphasis on engineering, and Williams Holdings, both of which were extremely aggressive acquirers in the 1980s but have recently been trying to shake off the conglomerate tag by focusing on core businesses.

Analysis yesterday agreed that Hanson's decision was due largely to its particular problems: it appeared to lack direction and a clear successor to

Lord Hanson, the chairman, it had grown too bulky, and it had become increasingly involved in highly cyclical sectors (natural resources and chemicals), while suffering from weak cash flow and a high dividend policy.

However, its fate does underline difficulties for the class as a whole:

● Size matters. The larger a conglomerate, the harder it is to find acquisitions which will significantly improve earnings, and to run its existing operations efficiently.

● Investors' attitudes have changed. Fund managers tend to focus on particular sectors, while the excitement generated in the 1980s by the conglomerate takeover wave has long faded. Mike Murphy of SBC Warburg points out that Hanson's share price relative to the UK market peaked in 1986, when it was on a premium of almost 100 per cent. Today most conglomerates have price/earnings ratios clustered around the market average.

● Companies are more tightly managed, thanks to recession, global competition and shareholder pressure, making it harder to find poor performers on which to pounce.

Yet, badly managed companies will never cease to exist, thus preserving a role for the corporate predator. And, as Mr Chris Miller, chief executive of Wessall, points out, a conglomerate's fate comes down largely to the quality of its management. "Some are successful and some are not. How you manage your portfolio is what is important."

Hanson's break-up could actually help the UK conglomerates, since its poor share price performance has held back the sector's rating. So too could an economic slowdown which highlighted the defensive benefits of their diversity.

Says analyst Mark Cusack of UBS: "It's easy to tar the sector with the conglomerate brush, but that gives valuation anomalies which investors should be able to exploit."

See Lex

## VALUATION - By David Wighton

## Break-up value below share price

Leading analysts yesterday published research which puts the stand-alone valuations of Hanson's four businesses at well below the current share price.

Very few brokers reached figures above 200p with some below 180p, compared with yesterday's closing price of 202 1/2p, valuing it at £10.5bn.

Valuations for the four businesses, before debt, are in the £2bn-£4.5bn range for chemicals, £4bn-£4.5bn for energy, £2bn-£3.5bn for tobacco and £2.5bn-£3bn for building materials. After debt of about £3.5bn, post the disposals already announced, this gives a total of £7bn-£12bn.

SBC Warburg, which at yesterday's opening had changed its recommendation to sell, reached a value of 181p.

Moreover, Warburg has not adjusted for the expected rise in the demerged companies' overall tax rate, which several

analysts estimate would increase from about 24 per cent now to nearer 37 per cent.

On the other hand, Warburg has made no allowance for any of the demerged companies attracting a bid premium. This might push the combined value to 200p.

Mr Andrew Mitchell at Merrill Lynch estimated the break-up valuation at 187p and changed his recommendation from "neutral to modestly negative" at yesterday's opening level of 211 1/2p. He said adding in a bid premium could take the figure to just over 200p.

One of the few higher valuations came from James Capel where Mr Paul Beauchere arrived at 224p. He was cautious about the shares in the short-term, maintaining his "neutral" recommendation, and said he would expect the demerged groups to trade at a slight discount to the valuation initially.

One reason his estimate is higher than most is because of a more generous valuation for the chemicals businesses. Although pessimistic about Quantum's short-term profit outlook, he is more bullish than most about its value. He values Quantum at 11 times historic earnings and the other chemicals businesses at 15 times, giving a total, including debt allocated according to size, of £4bn. NatWest Securities' most optimistic estimate for the chemicals company is £3.9bn, debt free.

Mr Beauchere has also ignored the issue of Hanson's provisions for environmental claims on the grounds that break-up valuations should be based on published profits. Hanson's provisions result in a cash drain of more than £200m a year but do not affect the profit and loss account.

NatWest reduces its total valuation by between £1.5bn

and £1.5bn, to take these into account, while Warburg, which forecasts cash provision utilisation of £300m this year, takes off almost £2.5bn.

NatWest, which moved its recommendation from reduce to sell, produced a range of valuations stretching from 180p at the high end to just 137p. In the worst case, it concluded that an 18 per cent bid premium to its most optimistic figure - compared with the then market price of 212p - was not justified, given the "limited bid attractions" of the component businesses.

Particularly disappointing for Hanson may be the valuation analysts are attributing to Eastern. Hanson argues that subsequent takeovers in the electricity industry imply it bought Eastern cheaply, but most analysts believe its market value when separated would be less than the £3.8bn, including debt, Hanson paid.

## THE DIVIDEND - By David Wighton

## Sector yields imply dividends will fall

An important factor behind the slide in Hanson's share price yesterday was investors' assumption that dividends will fall following the demerger.

Hanson has said that each of the demerged companies would pay a dividend "relative to other companies within its sector and to its financial condition and structure".

Since Hanson's current yield of more than 7 per cent is higher than the average for any of the four companies' sectors, the City has taken this as implying a likely reduction in the aggregate dividend.

The only company which might be expected to have a yield close to the current level would be the energy business. Yields on other UK regional electricity companies range from about 5 per cent to just over 7 per cent for the highly geared Northern Electric.

For the tobacco business the only benchmark is now BAT Industries, which yields only 5 per cent, though that is partly due to its large financial services business.

Analysis suggests something nearer 6 per cent for Imperial. The average yield for the rump building materials sector, which accounts for the bulk of the Hanson rump, is less than 5 per cent, while most US-quoted chemicals companies offer no more than 4 per cent.

Working through these numbers suggests that if the four companies did set their dividends relative to other companies with their sectors total payments might fall by a third. Few analysts expect such a steep cut, but the prospect explains why some income funds have been selling Hanson shares.

## COMPANY NEWS: UK

## Appointee to take responsibility for corporate governance issues Warburg chief to head Pru funds

By George Graham, Banking Correspondent

Prudential Corporation yesterday recruited Mr Derek Higgs, managing director of the investment bank SBC Warburg, to chair its fund management arm and strengthen its voice on corporate governance issues.

Mr Higgs will succeed Mr Hugh Jenkins as head of Prudential Portfolio Managers, Britain's biggest institutional investor with £76bn under management.

Mr Peter Davis, Pru chief executive, said yesterday it would have to be more accountable to the public for its influence in the boardroom.

"We needed someone big enough to talk about corporate governance issues, telling a FTSE-100 chairman that he shouldn't also be chief executive, or a chief executive that he shouldn't be chief executive, which Derek is big enough to do," Mr Davis said.

Mr Davis said he had decided last year to split the chairman-ship of PPM from the fund management responsibilities.

Mr Higgs was the only candidate to whom he had formally offered the job. Mr Higgs said he had not been willing to accept the PPM job last summer, as he did not feel able to leave Warburg in the first weeks after its takeover by SBC.



Derek Higgs, left, with Peter Davis: need to be more accountable

## North American purchases help Allied Textiles rise 11%

By Motoko Pich

A full contribution from North American acquisitions helped Allied Textiles Companies buck the sector's trend to raise pre-tax profits 11 per cent in the year to September 30.

While several textile companies have warned that 1995 profits would fall below or in line with the previous year's figures, Allied lifted pre-tax profits to £18.9m (£29m), against £17m, on sales up 26 per cent to £211.4m.

Mr John Corrin, chief executive, said the group was helped by its geographic and product spread. "If the customer wants polyester instead of wool, we don't mind because we make both."

Operating profits from textile activities increased 12 per cent to £16.5m. Profits from the property portfolio added £2.4m, virtually unchanged from last time.

Mr Corrin said £30m of the sales increase was due to a 12 month contribution from 1994's

North American acquisitions, as opposed to seven months last time. Overseas sales, which rose to 62 per cent (43 per cent) of turnover, outstripped UK sales for the first time. The group's first published sectoral breakdown showed that the natural fibres division suffered margin pressure from increased raw materials costs. However, profits in synthetic fibres rose 35 per cent. Profits in the carpet division, which incurred £400,000 redundancy costs, were flat.

## Gehe holds talks with Lloyds

By Patrick Harverson

Lloyds Chemists, the pharmaceuticals retailer, has held "friendly" talks with Gehe, the German drugs wholesaler which is considering whether to make an offer for the UK group.

Samuel Montagu, the merchant bank advising Lloyds, said the discussions with Gehe had been amicable and that it was possible there would be further talks.

Lloyds is already the subject of an agreed £528m (£813m) takeover bid from UK drugs wholesaler Unichem. Yesterday it advised shareholders not to accept the 408p-a-share Unichem offer until Gehe had decided whether or not to table a rival bid.

## Ashanti stake sale

The government of Ghana is seeking parliamentary approval to sell part of its 28 per cent holding in Ashanti Goldfields, privatised in 1994.

It was unclear how many shares would be sold - each 120m - but the government has assured Ashanti that it wants to retain more than 20 per cent.

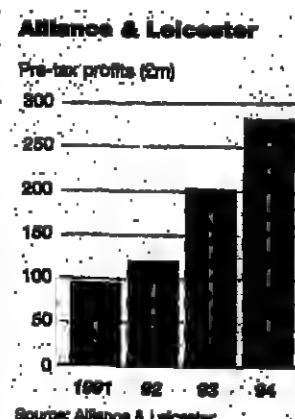
## LEX COMMENT

## Alliance Leicester

Alliance & Leicester may claim it is pushing through its conversion to bank status, ahead of the Halifax and the Woolwich, because of enthusiasm for the project. But equally pressing is the need to lessen its exposure to predators. After flotation, new banks have five years of takeover protection. If they have not achieved critical mass by then, they will be sitting ducks. The decision to go public will not necessarily forestall hostile approaches before conversion. It would be hard for any management to turn down a substantial premium to the group's flotation price. The prospect of paying more than two times book value will certainly discourage potential suitors, but A&L's diversification - more than 40 per cent of its business is non-core - makes it one of the more attractive targets.

Its Girobank subsidiary is a possibly undervalued gem. The market leader in cash-handling services - its retail business having been subsumed by the building society - Girobank generated pre-tax profits of nearly £70m in 1994. It could be sold as a separate business, helping to finance a takeover.

And although the society is well run, its 68 per cent cost/income ratio leaves plenty of room for cost-cutting. This is the nub of the problem for all the societies. With core markets stagnant, financial services businesses need to boost earnings by cutting costs - which is much easier through consolidation. Medium-sized societies like A&L face a tough fight for independence.



Source: Alliance & Leicester

## Fyffes rises despite banana price war

By Deborah Hargreaves

Fyffes, the Dublin-based fruit and vegetable distributor, boosted pre-tax profits by 16 per cent from £56.1m to £64.2m (£87m) last year. In spite of being caught in a retail price war for bananas in the second half.

Fierce competition between supermarkets pushed the price of bananas down to 19p per lb late last year - nearly half the cost price.

Fyffes jointly acquired the banana operations of its rival Geest three weeks ago and will complete a strategic review of these operations in six to eight weeks' time.

The joint venture set up with the Windward Island Banana Development Company was considering options for the two

large ships which came with the £147.5m buy and a farm in Costa Rica. "We may not just sell the ships, but swap them for something of a different size," said Mr John Ellis, managing director of Fyffes UK.

The Geest deal was the latest in a line of acquisitions pursued by Fyffes in the last 18 months towards becoming an important competitor in the fresh produce market in Europe, particularly in Germany, the Netherlands, Spain and Scandinavia.

The company pointed out that cash flow had remained strong. Last year it was boosted by £15.7m to £168m from the sale of Vangen, its logistics business. After the purchase of the Geest operations, net cash will reach about £135m this year.

**CENTRALE NUCLEAIRE EUROPEENNE A NEUTRONS RAPIDES S.A. - NERSA**

FRF 400,000,000  
GUARANTEED FLOATING RATE NOTES DUE 1997  
ISIN 0401000000  
FR0000818728

For the period January 31, 1996 to April 30, 1996 the new rate has been fixed at 4.8012 % p.a.  
Next payment date: April 30, 1996  
Coupon rate: 28

FRF 240,116 for the denomination of FRF 20,000  
FRF 1,200,76 for the denomination of FRF 100,000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

## RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends corresponding dividend	Total for year	Total for year
Allied Textiles	Yr to Sept 30	211.4 (198.3)	18.9 (17)	18.5 (18.1)	4.8	Apr 1	4.4	7.3
Anglo Oilfield	6 mths to Sept 30	92.6 (90.2)	10.2 (3.2)	1.2 (0.4)	-	-	-	-
Ashanti	6 mths to Oct 31	43.1 (51.8)	8.58 (6.58)	8.8 (8.2)	0.85	Apr 9	0.53	-
B&W (W)	6 mths to Sept 30	4.3 (4.5)	0.076 (0.71)	0.84 (0.57)	-	-	-	-
Boston Harbor	6 mths to Nov 30	32.5 (28.1)	1.81 (2.38)	10.9 (12.3)	3.9	Mar 1	2.75	2.2
Buckland & Gray	6 mths to Oct 31	13.05 (6.1)	0.261 (0.105)	1 (0.5)	-	-	-	-
Carphagen & Gray	6 mths to Oct 31	25.5 (20.2)	1.13 (0.72)	6.52 (4.18)	1.56	Apr 9	1	2.2
Consolidated Coal	6 mths to Sept 30	0.137 (-)	0.178 (0.244)	0.8 (0.4)	-	-	-	-
Copyright Publications	6 mths to Oct 31	3.28 (2.2)	0.177 (0.159)	1.7 (1.1)	0.5	Apr 2	1.6	1.5
Dryden (L)	6 mths to Sept 30	25 (22.2)	0.815 (0.583)	3.08 (3.45)	1.5	Apr 1	1.5	-
Euroline Electron	6 mths to Nov 30	128.2 (58.9)	14.1 (2.49)	26.15 (5)	1.85	Apr 9	1.55	4.15
Fyffes	Yr to Oct 31	1,188 (887)	42 (38.1)	7.51 (7.02)	1.195	Apr 17	1,089.4	1,667.4
Peel	6 mths to Sept 30	32.2 (29.5)	4.94 (3.23)	3.5 (1.88)	2	Apr 9	1.7	5.5
Powell	Yr to Nov 30	38.9 (24.8)	5.12 (3.11)	18 (13.7)	0.7	Apr 9	3.2	5.4
Zellers	6 mths to Sept 30	10.5 (11.7)	0.583 (0.69)	5.9 (6.5)	8	Mar 6	5	10

Investment Trusts

	NAV	Dividends	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total for year
A&L Healthcare	11 mths to Sept 30	83.3 (-)	0.013 (-)	0.08 (-)	-	-	-	-
High Income	6 mths to Dec 31	88.81 (82.25)	0.797 (0.706)	3.46 (-)	1.6	1.6	-	6.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. \*On increased capital. †After exceptional charge. ‡After exceptional credit. §After currency. \*Comparatives restated. †Already paid. ‡Comparatives for 77 days to October 31 1994. §Includes 0.5p on Datsun capital in issue prior to merger.

مكتبة النجف

## FINANCIAL TIMES SURVEY

Thursday February 1 1996

## ACCESSING THE US CAPITAL MARKETS

## Only in America are resources this deep

The world's biggest economy boasts the most flexible and liquid pools of corporate funding. But foreign issuers have to adapt to suit US investors, not vice versa, writes Maggie Urry

Willie Sutton, the famous US bank robber, was once asked why he robbed banks. Because that is where the money is, he replied.

The same answer might be given to companies or borrowers wondering why they should seek to tap the US capital markets. The Securities Industry Association estimates that the US capital market is the largest in the world, with issued debt and equity, both public and private, worth more than \$15,000bn.

It is a particularly auspicious time to raise capital in the US. American stock and bond markets rallied strongly last year, encouraged by declining interest rates and the prospect of further falls. Yields are relatively low, price/earnings multiples are high, and new issues of debt and equity have been well-received.

US investors are increasingly diversifying their portfolios outside America, believing that domestic markets cannot repeat their 1995 performance in 1996. And they are trying to find better value than is available from domestic issuers.

Thus there is good demand in the US for paper from foreign entities. On the other side of the equation, many of the latter have a great need to raise capital.

Businesses located in developing countries, for instance, often find their own markets cannot meet their need for cash. Mr Alvaro de Souza, executive vice-president in charge of Citicorp's cross-border finance group, says: "The on-going need for capital in the emerging markets cannot be met domestically."

He adds that emerging market issuers raised \$49bn in capital markets outside their home countries in 1995, showing there is "continued investor appetite" for these capital raisings. This is despite the economic problems Mexico faced at the end of 1994, which precipitated a crisis that investors are only just beginning to forget.

The worldwide trend for the privatisation of state-owned assets has driven many companies to sell their shares in the US and other international markets. Few domestic markets can supply the large amounts of capital it takes to buy a national telecommunications company from a government, for instance - at least not at a price which represents good value for taxpayers.

In 1995 privatisations accounted for 42 per cent of the capital raised through issues of American Depositary Receipts, according to statistics from Citicorp. The leading issuers included ENI, the Italian oil and gas group, SGS-Thomson Microelectronics, the Franco-Italian semiconductor maker, KPN, the Dutch post and telecommunications company, and Telefonos de España, the Spanish telecommunications group. This year's privatisation of the German telephone utility Deutsche Telekom is expected to be a blockbuster.

The surfeit of state sell-offs, especially of telecommunications groups, is beginning to tire investors. Last autumn Indonesia's PT Telkom had to scale back its offering because of poor demand. It will be interesting to see how Deutsche Telekom's issue is received.

Emerging country issues and privatisations aside, a good range of private companies from developed nations are seeking to sell shares or to raise debt in America.

They often believe that a US listing will broaden their shareholder base and increase the valuation of their stock. That reduces the future cost of issuing new equity, and of making an acquisition in which the issuer uses shares to pay for the purchase.

Research by Professor Remy

Stulz of the Ohio State University suggests companies can raise money more cheaply if they have a US listing. In an article for the Journal of Applied Corporate Finance, Professor Stulz asserts: "The progressive integration of international financial markets is bringing about a significant reduction in the cost of capital to public corporations around the world."

Professor Stulz studied the effect of the removal of restrictions on foreign ownership of Nestlé shares in 1988. After the Swiss foods group allowed foreigners to buy its stock, the price soared, and Professor Stulz found Nestlé's market value showed "an increase of 10 per cent, which is consistent with a significant decrease in its overall cost of capital."

As non-US companies head for the American stock markets there has been a rise in the number of companies listed there. The number of foreign companies listed on the New York Stock Exchange has doubled in the last three years.

Even so, Mr Richard Grasso, chairman of the NYSE, regards foreign companies as providing the greatest potential for growth in listings on the Big Board. He says that if a third of all those non-US companies which are eligible to list on the NYSE did so, then the exchange's market capitalisation would double from its current \$6,000bn.

The three US stock markets are each aiming marketing campaigns at non-US companies, eager to offer them the chance to sell shares to American investors. Companies unwilling or unable to register with the Securities and Exchange Commission and achieve a listing on either the NYSE, the National Association of Securities Dealers Automated Quotations (Nasdaq) market or the American Stock Exchange can join the so-called "pink sheets" market, the OTC Bulletin board, or resort to private placements of equity.

The US markets also have advantages for those seeking debt rather than equity capital. Many companies with American subsidiaries use them to raise dollar debt to hedge their dollar assets. Other borrowers use the swap market to convert low-cost US debt into cheap borrowings in their home currency.

The country's debt markets offer greater flexibility in structuring issues than many counterparts. Investors in the US domestic bond market are prepared to buy foreign issues of debt securities - known as Yankee bonds - with a wide range of maturities, making it easier for borrowers to tailor issues to their own special requirements.

Recently the People's Republic of China sold a \$100m 100-year Yankee bond offering, which given that country's recent turbulent history demonstrates US investors' accommodating nature. Borrowers can also use the private placement market to issue debt with longer maturities than would be available from more traditional sources. And they find that investors are willing to make the effort to get to know an unfamiliar company.

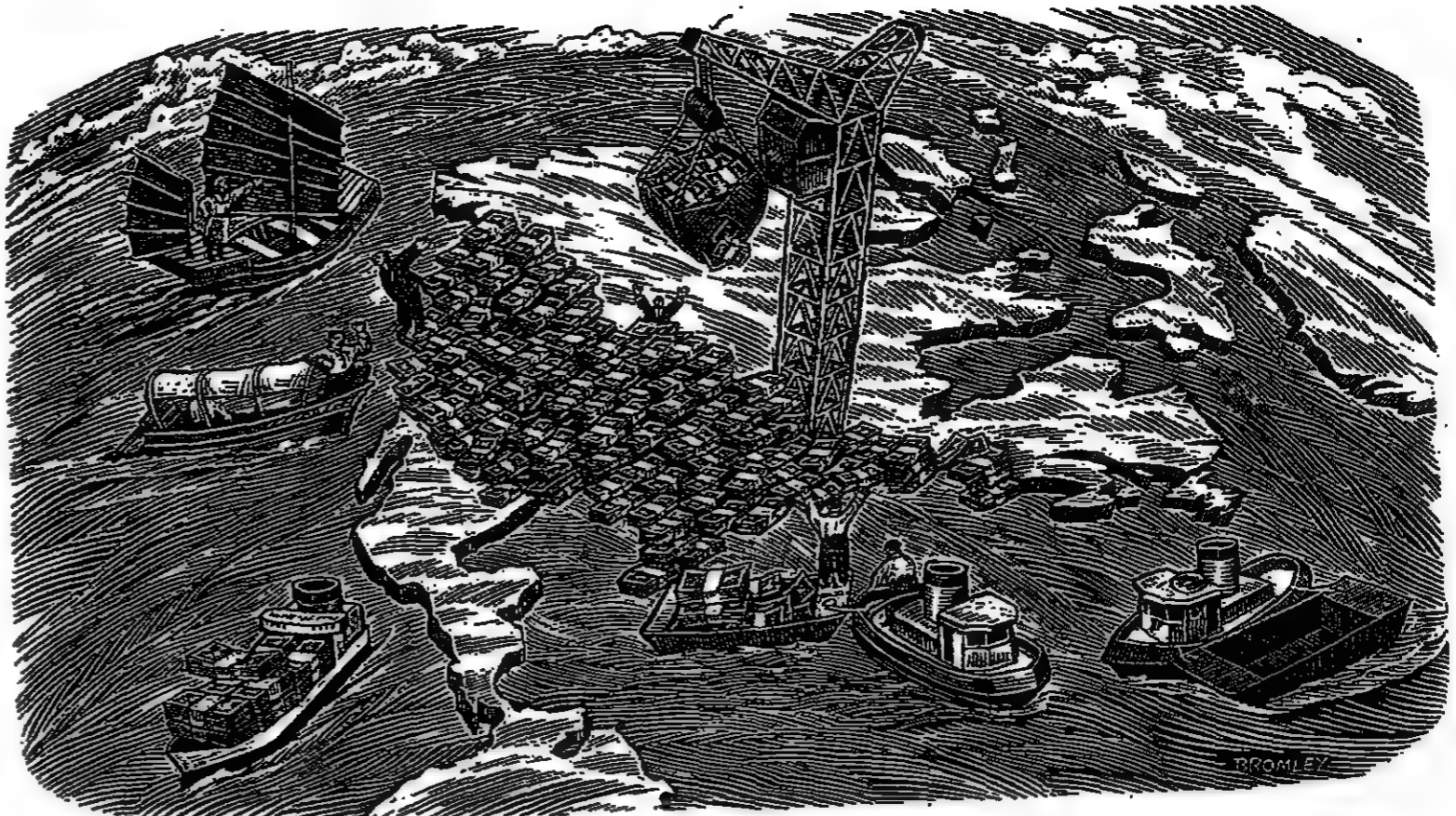
The gains are not without costs. The price non-US entities pay for getting access to the world's largest capital market is a readiness to conform to US investors' expectations. Disclosure is the most obvious area. Reporting requirements in the US are often very different from those in an issuer's home country, and some are unwilling to release the required information. While there has been some easing of regulations, many US investors prefer to see companies accounts drawn up using US standards.

Mr Ron Corwin, executive vice president for marketing at the American Stock Exchange, says: "A relatively modest number of companies have been willing to do what needs to be done to comply with the reporting requirements of the SEC. But it is an increasing number."

A recent survey of US institutional investors' attitudes to investing abroad by Broadgate Consultants, an international corporate and capital markets consulting group, found most plan "to increase overseas investments substantially over the next twelve months"

It discovered that 92 per cent of institutional investors think quarterly reporting is critical or important to their analysis. Further there is an increasing concern about corporate governance practices - 86 per cent of investors think that non-US companies do not pay enough attention to issues of corporate governance and shareholder rights.

Mr Bill Jenks of Broadgate adds that respondents indicated that they like non-US companies to have an American depositary receipt facility, even if they buy shares in local stock markets rather than ADRs themselves. He says an ADR facility demonstrates a commitment to US investors on the part of a company. Commitment from both sides - issuers and investors - can create a profitable alliance.



## DEPOSITARY RECEIPTS

<b>ABBAY NATIONAL</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>adidas</b> SPONSORED 144A AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>AO MOSENERGO</b> SPONSORED 144A AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Banco Industrial Colombiano</b> NYSE Symbol: CIT SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Bank of Ireland Group</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>BVLGARI</b> SPONSORED 144A AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.
<b>COMPAGNIE GENERALE DES EAUX</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Compagnie Industrielle de Distribution</b> SPONSORED 144A GLOBAL DEPOSITARY RECEIPT (GDR) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Deutsche Bank</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Enrique Blonck &amp; Hest Sengul A.S.</b> SPONSORED 144A AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>CHEMICAL WORKS OF GEDSON RICHTER LTD.</b> SPONSORED 144A GLOBAL DEPOSITARY RECEIPT (GDR) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>GENERAL CABLE PLC</b> NASDAQ Symbol: GCAY SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.
<b>CSI</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>GUCCI</b> NEW YORK STOCK EXCHANGE LISTING NYSE Symbol: GUC Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<div>1995.</div> <div>Another very good year.</div>			
<b>Koor Industries Limited</b> NYSE Symbol: KOR SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Legal &amp; General</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.				
<b>LONRHO Plc</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>ISC Or Company LLC</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>NERA TELECOMMUNICATIONS</b> NASDAQ Symbol: NERAY SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>NYNEX CableComms</b> NASDAQ Listing NASDAQ Symbol: NYNEX SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>PEARSON</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	
<b>PETROBRAS DISTRIBUIDORA S.A.</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>TELECOM</b> New York Stock Exchange Listing NYSE Symbol: PT SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>QANTAS</b> Qantas Airways Limited SPONSORED 144A AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>RAUMA</b> NYSE Symbol: RMA SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>RICHEMONT</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>RWE AKTIENGESELLSCHAFT</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.
<b>SAP</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>SGS-THOMSON MICROELECTRONICS</b> SUCCESSOR NEW YORK STOCK EXCHANGE LISTING NYSE Symbol: STM Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Smith Barney</b> NYSE Symbol: SBE for Equity Unit ADRs Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>TELECOM</b> New York Stock Exchange Listing NYSE Symbol: TBR SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>Acier</b> USINOR SACLOR SPONSORED 144A AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.	<b>VATECH</b> SPONSORED AMERICAN DEPOSITARY RECEIPT (ADRI) FACILITY Established by THE BANK OF NEW YORK This announcement appears as a matter of record only.

## 2 ACCESSING THE US CAPITAL MARKETS

■ Yankee bonds: by Antonia Sharpe

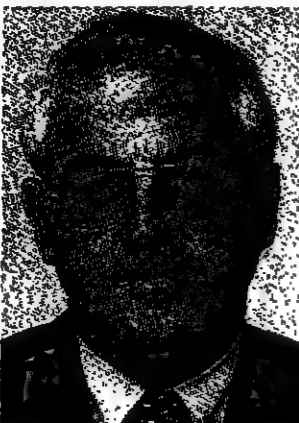
## Hard work prevails

Persevering issuers open up a path to a deep and dependable source of capital

Jumping into the Yankee bond market — the US domestic bond market for foreign issuers — is daunting, but according to those who have taken the plunge, it is well worth the effort.

Would-be issuers must meet several requirements before they can tap the US public debt markets. The most important is to register with the US Securities and Exchange Commission (SEC), which requires the issuer to reconcile its accounts with US accounting standards. Companies also need to get a credit rating from two leading credit rating agencies to satisfy US investors.

Over the past few years the SEC has encouraged more foreign issuers to come to the Yankee bond market by making the registration process less onerous. The body now gives greater importance to



Working for the Yankee dollar: Ray Curran of Jefferson Smurfit

standards laid down by the issuer's national regulator, for example.

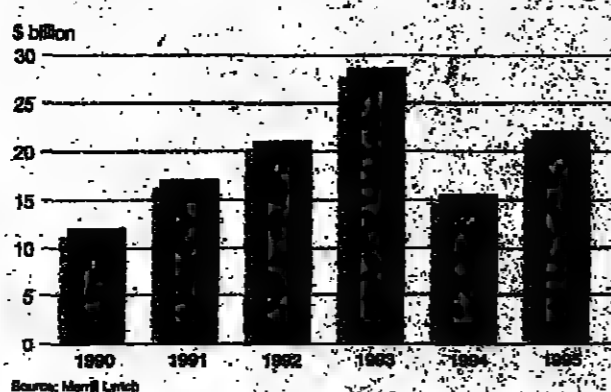
Since the registration document contains a lot of new information, which could be sensitive in the issuer's home market, the SEC allows the issuer to make a "confidential" listing — details will only become public once it is ready to go ahead with its debt offering.

The greater flexibility of the SEC has boosted the volume of Yankee bond issuance. According to data from Merrill Lynch, the US investment bank, volume rose from just over \$12bn in 1990 to \$28.7bn in 1993, when many companies used the bull run in the bond market to raise funds or refinance existing debt cheaply. Issuance dropped to \$15.8bn in 1994 but picked up again to \$22.3bn last year.

Some 54 per cent of total issuance in 1995 was raised by industrial companies, 23 per cent by financial companies and the rest by supranational or government agencies.

Despite the SEC's relaxation of listing requirements, prepar-

Yankee fixed-rate non-convertible debt offerings



Source: Merrill Lynch

ing a registration document still involves a significant amount of work. Mr Ray Curran, chief financial officer of Jefferson Smurfit, the Irish-based international paper and packaging company which made its debut in the Yankee bond market last year, describes the whole process as "time-consuming, complex and expensive".

The benefits which result from being able to tap the world's most liquid bond market make it all worthwhile, he says. "If an issuer is looking for debt of longer than 10 years, it is worth the effort," says Mr Curran. "If it is looking for debt with a maturity of 20 or 30 years, the Yankee bond market is definitely the only place to be."

Smurfit raised a total of \$600m through two Yankee bond offerings, with maturities of 10 and 30 years, to refinance bank debt taken out to buy a French paper company.

Mr Russell Chambers, a director at Merrill Lynch which arranged Smurfit's offerings, says issuers can sell bonds with very long maturities in the Yankee bond market because of the depth and liquidity of the US public debt markets.

Century bonds have been the latest theme in the Yankee bond market, adds Mr Jonathan Hakim, a managing director at Lehman Brothers in London. This month, Lehman arranged a \$150m offering of 100-year bonds for Tenaga, the Malaysian electricity company. By contrast the appetite for long-dated bonds in Europe is far more limited. Retail investors in the eurobond market are generally reluctant to buy bonds with a maturity of more than 10 years.

The dominance of institutional investors in the Yankee bond market means that it is much more dependable than the eurobond market where sentiment towards the various currencies is often influenced by foreign exchange and domestic bond markets. "The Yankee bond market provides funding for companies day in and day out," says Mr Chambers.

Another advantage which the Yankee bond market has over the eurobond market is the access it provides to issuers with lesser credit ratings. Most companies with a credit

rating of below double A find it difficult to raise funds in the eurobond market.

In the case of Smurfit, which has a rating of A minus from Standard and Poor's and Baa1 from a competing agency, Moody's, the size of the offering it planned would not have been possible in the eurobond market, so it went to the Yankee bond market instead.

In addition eurobond investors often buy bonds purely because they recognise and respect the issuer's name. If a

company is not well-known on the Continent it would have to pay a hefty premium to access the market.

The small premium foreign issuers once had to pay when tapping the Yankee bond market has disappeared, says Mr Bob Hugin, the managing director in charge of debt syndicates at JP Morgan in New York. Over the past year the bank has arranged Yankee bond offerings for Legrand, a French electrical group, and for Dresdner Bank, Germany's second-largest bank.

In Mr Hugin's view, the increasing popularity of the Yankee bond market is due to the desire of US investors to geographically diversify their credit risk. "They are looking to build up a more diversified credit portfolio," he says. He adds that the improvement in technology and communications means that US investors have become more comfortable with foreign issuers than in the past.

The Yankee bond market provides issuers with a great deal of choice about the structure of their debt. Although call and put options have been creeping into the eurobond market over the past year, they are still rare features. In contrast investors in Yankee bonds are used to buying bonds with options of this kind attached to them.

Bankers believe that in future more foreign companies will brave the time-consuming listings procedure to tap this dependable and versatile market.

■ The Rule 144A market: by Maggie Urry

## Shares perform better than bonds

This financing method faces competition from traditional private placings of debt

In the 1970s and 1980s the Securities and Exchange Commission, which regulates American securities markets, believed that if foreign companies wanted to tap US markets they would have to play by the same rules as local issuers. That meant going through the long and expensive process of registering an issue with the SEC, and thereby revealing information which many non-US companies had not published before.

By 1990 that attitude had changed. The SEC realised that a number of non-US issuers were turning to other markets, such as the euromarkets, to raise both debt and equity capital, and the US was losing business as a result.

It was in that year that the SEC passed Rule 144A, which allowed non-US companies to issue debt or equity in the American market without registering it. The paper had to be sold to qualified institutional buyers (QIBs), who could then trade their holdings with other QIBs in the secondary market. And after two years, unregistered securities could be sold in the public markets.

The supposedly liquid after market produced by the QIBs was meant to increase the range of investors who would buy the paper and, in turn, make it easier for foreign issuers to raise capital.

The QIBs had to be large investors, in most cases managing assets of over \$100m, who were expected to be sophisticated enough to look after themselves in terms of appraising issuers and the value of securities.

Since 1990 the 144A market has grown in fits and starts. According to Mr Stephen Schecter, a managing director at Schroder Wertheim, a leading investment bank in the sector with \$5.5bn of cross-border private placements to its credit, the philosophy of Rule 144A was excellent — to attract high quality foreign issuers to the US.

Top 20 managers of 144A private placements 1995

Manager	Value (\$m)	No. of deals	% share
1 Merrill Lynch	1,776	60	14.0
2 SBC Warburg	1,577	84	13.2
3 Goldman Sachs	1,558	55	12.0
4 Salomon Brothers	1,383	39	10.7
5 Lehman Brothers	828	47	6.5
6 JP Morgan	806	38	5.4
7 Morgan Stanley	714	41	5.6
8 CS First Boston	684	32	5.4
9 Bear Stearns	584	25	4.8
10 BZW/Bardays	370	26	2.9
11 Donaldson, Lufkin, Jenrette	358	10	2.8
12 Deutsche, Morgan, Grenfell	257	9	2.8
13 ING Barings	269	19	2.1
14 Smith Barney	253	8	2.0
15 UBS	242	15	1.9
16 PaineWebber	209	6	1.8
17 Banque Paribas	208	10	1.6
18 Prudential Securities	182	4	1.4
19 HSBC Group	152	8	1.3
20 Societe Generale	144	5	1.2

Based on \$50 debt worth \$150.8m

Source: IFF Securities Data Company

For equity issuers, he says, "the 144A market is alive and well and working beautifully". However, for debt issuers, he says, the market has only really come alive in two areas: the high yield sector and the larger investment grade area, by which he means issues of over \$150m.

In other areas he judges that the 144A market has not taken off. There is not much pricing differential between the traditional private placement market and the 144A market, and the extra cost of having an issue rated by the credit rating agencies for the latter market can substantially erode the

benefit of a lower yield.

Mr Stefan Shaffer, president of SPP Hambro, the leading arranger of European private placements in 1994 and 1995, agrees that the traditional private placement market is still the place for debt issues. The main buyers of the paper are insurance companies, which have had a lot of cash to invest in recent years. They are essentially buy and hold investors, looking to match their long term liabilities with long term assets. Although they can trade the paper even without the 144A rule, they generally do not.

Mr Shaffer says that there is so much liquidity available from buyers of traditional private placements that it has not been necessary to tap the other buyers attracted to the 144A market.

One of the largest buyers of private placements, Cigna, the insurance group, invested \$2.5bn in the market last year. Mr Malcolm Smith, who is in charge of private placements at Cigna, says that insurance companies currently have "a tremendous amount of cash to invest". In recent years, he adds, approaching one third of issues in the private placement market have come from non-US issuers.

The number of issues in the 144A market contracted somewhat in 1995. Cigna put 10 per cent of its private placement money into that sector compared to 17 per cent in 1994.

High liquidity combined with a general decline in US interest rates over the last year has made the US market an especially attractive place for non-US issuers. Many of them have subsidiaries in the US and wish to hedge their dollar assets with dollar borrowings. Others swap the proceeds back into their home currency.

The market is receptive to issues from companies which are not household names in the US, and can be a worthwhile source even of remarkably small sums of money. Anglian Water, of the UK, for instance, recently raised \$10m through a 144A placement.

Mr Schecter cites the example of an issue he arranged for BP Bulmer, the British cider company. Although the business was as unfamiliar to US

investors as the concept of an alcoholic, apple-based drink, Bulmer was able to raise \$45m through tranches of 7 and 10 year paper at an interest rate cheaper than for a five-year bank facility. Four insurance companies bought the entire issue.

Another borrower Mr Schecter is proud of having brought to the US market is Macmillan, the book publisher. As a private company, Macmillan had few sources of long term finance, but was able to

raise money more cheaply and for a longer period in the US.

Mr Shaffer gives an example of another UK company, Shandwick, the public relations firm, which last month completed a \$40m private placement, even though it is a "people business" and therefore lacks the asset backing some lenders look for. The deal was sold on the company's ability to generate cash flow, and it improved the company's UK borrowing profile too.

Trading in 144A issues can be transacted through the National Association of Securities Dealers' Portal system — which stands for Private Offerings, Resales and Trading through Automated Linkages. Mr Schecter says that Schroder Wertheim also trades 144A bonds, but finds that few change hands. An example he gives is of Bank Organisation, which has issued a total of \$800m of bonds over recent years. Mr Schecter says less than 10 per cent of the total has been traded, and then only between the 26 institutions which were the original buyers of the bonds.

Mr Schecter says that the 144A market is still a "people business" and therefore lacks the asset backing some lenders look for. The deal was sold on the company's ability to generate cash flow, and it improved the company's UK borrowing profile too.

Trading in 144A issues can be transacted through the National Association of Securities Dealers' Portal system — which stands for Private Offerings, Resales and Trading through Automated Linkages. Mr Schecter says that Schroder Wertheim also trades 144A bonds, but finds that few change hands. An example he gives is of Bank Organisation, which has issued a total of \$800m of bonds over recent years. Mr Schecter says less than 10 per cent of the total has been traded, and then only between the 26 institutions which were the original buyers of the bonds.

■ Accounting: by Richard Waters

## The world according to US GAAP

Foreign companies find conforming with America's accounting rules so irksome that many avoid its markets

Daimler-Benz's arrival on the New York Stock Exchange (NYSE) in 1993 was meant to herald a new dawn.

The first German company to come to the public equity market in the US, the car and aerospace group seemed at the time to be blazing a trail that others would follow. Its willingness to bow to the US's securities regulations — including its accounting and disclosure rules — marked a breakthrough in trans-Atlantic financing.

The elation proved short-lived. For the first half of 1993, Daimler-Benz reported an after-tax profit of DM168m (\$155m) — at least, under German accounting rules. Applying US generally accepted accounting principles (US GAAP) turned this into a loss of DM94m. That was followed by a bigger loss for the full year, as the company moved to clean up its balance sheet.

The discrepancy in accounting treatment provided a strong reminder of just how dissimilar national accounting rules remain, while failing to endear the company to US investors.

These events may have discouraged other foreign businesses from tapping the US stock market. According to officials at another German company that had considered a New York listing, Daimler's problems cast doubts over the credibility of German accounts and made it hard for others to follow in its footsteps.

"It was unfortunate," concedes Mr James Cochrane, senior vice president of economic research at the NYSE, of Daimler's accounting difficulties.

Daimler is not alone. Mr Arthur Levitt, chairman of the US's Securities and Exchange Commission (SEC), commented recently that many foreign companies — particularly those from Europe — lack the openness of US counterparts. He was speaking shortly after Nokia, the Finnish telecommunications group, shocked US investors with a profits warning.

Differences in national accounting rules are one aspect of the problem, says the SEC chairman, who criticises some companies for being "chauvinistic" in refusing to budge from their domestic accounting regimes. There is, he adds, a broader question of the "cultural differences" that complicate attempts by foreign companies to go public in the US.

Cultural and political rivalries inform the whole debate on international accounting, making it one of the thorniest issues in the development of international capital raising.

Differences in national accounting and disclosure regimes has helped keep companies from countries like Germany and Switzerland away from the

US capital markets. The London Stock Exchange, by granting a listing to any company that complies with International Accounting Standards, has long had an advantage over its US rivals in attracting foreign corporations.

Under Mr Levitt the SEC has made some concessions. It recently agreed to accept cashflow statements drawn up in accordance with International Accounting Standards Committee (IASC) rules and to allow companies to use IASC guidelines when determining whether or not they can use pooling to account for a business combination.

The requirement to comply with US GAAP remains a daunting obstacle for many foreign companies, the most visible symbol of the gulf that separates the US and European capital markets.

The chances of that chasm being bridged are better, however, than they have ever been. A year ago the IASC won a commitment from an international grouping of securities regulators — including the SEC — that could make international accounting standards the vehicle for entry to US markets.

If the IASC can achieve the considerable task of tightening its current set of rules, regulators around the world have promised to accept accounts which follow international standards for listing purposes. In effect, that would open up three national markets which do not accept IASC standards: the US, Japan and Canada.

The IASC provides a forum for continental European companies which want to raise capital internationally — particularly in the US — but do not want to play by the rules of American

finance, suggests Sir Bryan Carsberg, the committee's British chairman. "Germany and France are not going to let the US write their accounting rules for them over the long haul — they want a seat at the table," he says.

A growing number of German, Swiss and French companies have already started to issue financial statements which comply with IASC rules. One effect, say advocates, has been a greater appetite for their securities outside their domestic markets.

Ciba Geigy, for instance, has said that it believes international-style accounts have helped lift its share price. Mr Paul Brunner, a manager at Coopers and Lybrand (C&L), says: "There was a high premium for uncertainty because no-one understood Swiss accounts."

The latest breakthrough for the credibility of the IASC's body of rules came late last year with a decision by Deutsche Bank to use international standards. The internationalists of the accounting world now hope that Deutsche Telekom will follow suit.

The shift to IASC standards would also get a big boost if, as they have intimated, legislators in Germany and France move to allow companies to use international standards for domestic reporting purposes.

That does not mean that the IASC is about to provide a back door into the US markets.

Mr Levitt, for one, makes it clear that the US is not about to take a less stringent approach to foreign companies. "I am committed to international standards," he says. "But make no mis-

take about it: any nation that is expecting a sudden change to less demanding standards is making an error, because that will not be the case."

Mr Levitt says that he has "no particular allegiance to US accounting standards merely because they are from the US," but adds: "They are the best, most sensible in the world."

The IASC, for its part, is equally adamant that no easy compromises lie ahead. "We're not, of course, looking for our standards to be a soft option," says Sir Bryan.

All of this points to some heated accounting battles ahead. The greatest debate is likely to centre on the area which, traditionally, have divided nations: how to account for the goodwill that arises on an acquisition, for instance, or the level of segmental information a company should provide.

Newer areas like disclosure of derivatives holdings will also consume much energy, as will pension accounting — a field where different tax rules, funding requirements and actuarial practices make consistency difficult to achieve.

The IASC has set itself a five-year timetable to achieve its goal. To get there it will need more resources — Sir Bryan wants to lift the committee's budget from \$1.1m a year to \$1.75m. Mr Brunner at C&L says: "The work plan is quite aggressive — when you're talking about change on a world scale, 5-10 years isn't so long."

Meanwhile the US stock markets seem unlikely to see a sudden flood of continental European listings. But, says Mr Levitt: "Five years from now, this period will seem an aberration."



Scene in the works: US GAAP transformed Daimler-Benz's after-tax profit of \$155m for the first half of 1993 into an \$875m loss

The Financial Times plans to publish a Survey on

# Latin American Finance & Investment

on Monday, March 25.

It is not yet clear whether the Mexican financial crisis represents a short-term disappointment or a more fundamental setback to the region's long-term growth prospects. This survey will review the issues and policy responses to the crisis, and the prospects for foreign investment in Latin America.

For more information on advertising opportunities in this survey, please contact:

Penny Scott in New York:

Tel: (212) 688-6900 Fax: (212) 688-8229

FT Surveys

Stock exchanges: by Maggie Urry

## Trio battle for foreign issuers' favour

Three markets share a single goal: to win the most listings from non-US firms

The growing interest being shown by foreign companies in listing their shares in the US has prompted American stock markets to target them as a source of growth. The exchanges are engaged in a marketing battle to increase their share of the available trading.

Mr Richard Grasso, chairman of the New York Stock Exchange, believes non-US companies have far greater potential to add to the number of concerns listed on the "Big Board" than US counterparts. He sees the NYSE becoming "a global institution in the full sense" when it captures 450 to 600 foreign listings, enough to give it the critical mass to create and test products and services for the global investor.

At present the NYSE, which

had a market capitalisation of nearly \$6,000bn at the end of 1995, lists around 250 non-US companies among its total of 2,700 companies. More than half of those 250 joined in the last four years. Trading in foreign shares now accounts for around 12 per cent of total NYSE volume, with some of them - such as Telefonos de Mexico - among the most actively traded stocks.

The other exchanges have also spotted the opportunity for growth that non-US listings present. Strictly speaking, only the NYSE and the American Stock Exchange (Amex) are regarded as exchanges. The National Association of Securities Dealers Automated Quotations (Nasdaq) market is an over-the-counter market. Companies can also see their shares traded on the so-called "pink sheets" market operated by the NASD.

The NYSE is regarded as the most prestigious exchange, with most of the largest US companies listed there. Its listing criteria are much more

stringent than those of the Amex and Nasdaq markets and the cost to the issuer is several times greater.

Ms Catherine Kinney, group executive vice president in charge of listings at the NYSE, says the exchange has for many years been targeting non-US companies. It has established offices in London and Paris, and identified and approached concerns which would qualify to list on the Big

points out that many of its largest companies - businesses like Microsoft, Apple Computer and Intel - are well-qualified to move to the NYSE but choose to stay with Nasdaq.

Ms Ellen Hipschman who runs Nasdaq's international marketing efforts, argues that Nasdaq is not a "junior market". Although the average company listed there is smaller, the level of regulation is the same. Nasdaq has a reputation for listing high-technology stocks, to the extent that some non-US companies seek a primary listing on Nasdaq before floating shares in their home country, because they feel the US investor base is more sophisticated when it comes to evaluating information technology companies.

Ms Hipschman argues that Nasdaq offers more support to non-US companies whose shares are traded there. A director is assigned to look after each company. Listed concerns are featured in a Nasdaq magazine, which is sent to fund managers, and the exchange organises conferences and seminars at which top management can meet investors. The marketmakers are usually broking firms which also publish research on the companies and run sales teams to promote shares.

The Amex is smaller again, and lists only 20 non-US companies. Its speciality is health-care companies, with names like Medeva of the UK on the list. Mr Ron Corwin, executive vice president for marketing at the Amex, echoes Nasdaq with the claim that the Amex offers companies more support than the NYSE.

Although he admits the largest companies will have higher visibility on the NYSE, smaller groups fare better on the Amex, he says. Mr Corwin believes that the conferences and investor relations work shops organised by the exchange help companies to communicate with Wall Street.

Part of the argument between the markets concerns trading methods. The NYSE and Amex are auction markets, where buy and sell orders meet through a single "specialist" dealer to set the price of a security. Nasdaq by contrast, is quote-driven. Competing marketmakers post the prices at which they are willing to trade on computer screens, which also show the best buy and sell prices available.

Supporters of the Nasdaq system, which is similar to that used in the UK markets since the Big Bang ten years ago, claim competition between marketmakers to win

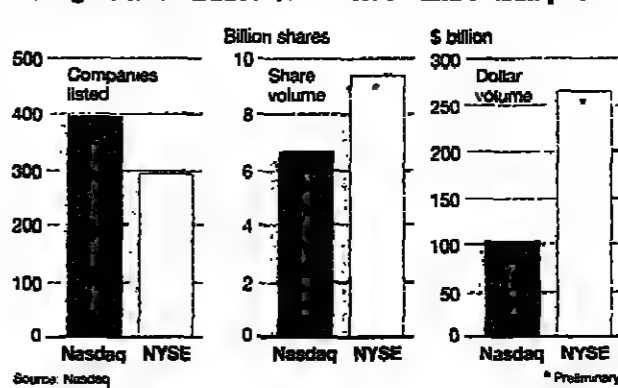
business ensures better prices. An important issue for the exchanges is whether to expand into non-dollar denominated listings. At present the shares of most non-US companies are quoted in the form of American depositary receipts (ADRs), which are denominated in dollars. Mr Grasso has raised the idea of trading in a company's ordinary shares in the currency of its home market. If the NYSE moves that way the other exchanges are likely to follow.

Ms Kinney says the NYSE is planning a pilot scheme to begin by the end of this year. Between 5 and 10 shares will be traded in their ordinary form beside the ADRs.

Although ADRs are useful for companies from emerging markets, Mr Grasso suggests the bulk of trading in a foreign company is likely to be in the form of ordinary shares in future. For the NYSE to increase its share of a company's stock trading it needs to list the ordinary form too. The NYSE may also extend its trading hours to accommodate foreign companies and investors.

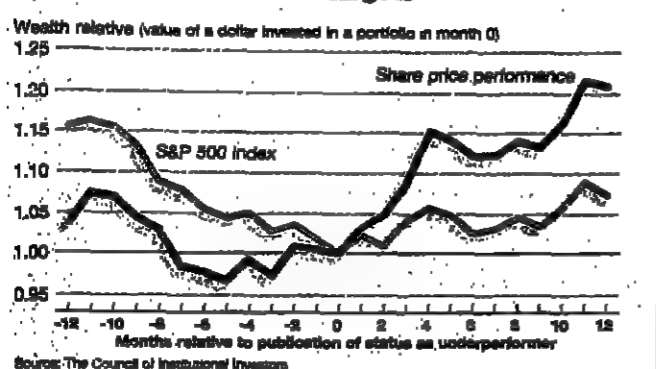
If the plan is successful it will be a step along the road to a truly global stock market matching the increasing internationalisation of many issuers' businesses.

Foreign shares traded on the NYSE and Nasdaq 1995



Screen test: Nasdaq dealers compete to post the keenest share prices

### Performance of activism targets



Corporate governance: by John Plender

## Investors eager to call the tune

Campaigners for shareholder value have foreign companies firmly in their sights

Ten years ago shareholder activism was a less familiar feature of US capital markets than of UK counterparts. Today the position has been reversed. Both institutional investors and individual shareholder activists in the US have brought about significant changes in the boardrooms of leading American companies. Such interventionism, often conducted not only publicly, is now beginning to spill over into European markets, as US investors diversify their portfolios overseas.

Concern over corporate governance issues in the US is in part a response to criticism of big shareholders' lack of success in preventing managerial failure at companies in which they had invested. It is made possible by the growing institutionalisation of the US equity market and encouraged by the growth of indexed funds, where the sale of shares

The most spectacular recent corporate governance reforms have come from a small group of public pension funds and private activists.

Eastman Kodak's sale of its chemical business and its subsequent change of chief executive officer, for example, were prompted chiefly by the California Public Employees Retirement System (Calpers) and the Pennsylvania Public Employees Retirement System. Retailer Sears Roebuck's divestment of its financial interests came after pressure from veteran activist Robert Monks. And a controversial restructuring plan at retailer Kmart was thrown out thanks to pressure from the State of Wisconsin Investment Board.

Yet if the visible proponents of activism are relatively small in number, the strength of the governance bandwagon should not be underestimated. The Council of Institutional Investors, which speaks for pension funds with more than \$800bn under management, enjoys an increasingly high profile as a corporate monitor.

Unlike comparable bodies in Europe, it has, for the past four years, published a list of underperforming companies. The council's members are then encouraged to apply pressure, usually privately, to the corporate boards in question. Calpers follows a similar policy, although here monitoring and gingering are conducted by the same organisation.

How successful such institutional productivity chasing has been remains controversial. Academic studies do not come to uniform conclusions. Yet Calpers is in no doubt that activism enhances the fund's returns. A survey commissioned from Wilshire Associates found that shares of 42 underperforming companies targeted by Calpers had outperformed the S & P 500 index by more than 40 per cent in the five years that followed the initial action.

A study in August 1995 for the Council of Institutional Investors revealed superior average share price performance by 97 companies against the S&P 500 in the year after appearing on the council's hit list. It confirmed improved performance against other yardsticks such as earnings growth.

Meantime Calpers has shocked corporate Germany by showing itself prepared to raise questions at annual general meetings. Other US investors have campaigned on shareholder value issues in France, though to no great effect so far.

Yet US influence is set to increase in Europe, partly because Department of Labour guidelines require pension funds to vote overseas as well as at home, but more fundamentally because many European companies want access to US capital. Improved disclosure, monitoring and governance are the price that US investors exact for this accommodation.

### A few shareholder activists wield huge power

is ruled out as a response to poor corporate performance.

Yet these are now common factors between the US and the UK. If approaches to corporate governance in the two countries contrast, it is probably due to differing legal frameworks and cultures.

A relaxation in 1992 of the Securities and Exchange Commission's rules on communication between shareholders has opened the door to quick proxy protest campaigns and to greater disclosure of boardroom pay. Equally importantly the US Department of Labour's guidelines require proxies to be voted on all issues that might affect the value of a pension scheme's investments. While some fund managers continue to vote on a knee-jerk basis to support the board, many argue that compulsory voting has had a consciousness-raising effect on behaviour.

According to a recent survey by Russell Reynolds Associates and The Wirthlin Group, shareholder contact with the boardroom has been growing and more than two in five institutional investors have conveyed opinions directly to company boards. But while many institutions have voted in favour of shareholder resolutions few have actually sponsored one.

That perhaps gives the lie to the idea of widespread public intervention. Most US institutional investors prefer to delegate voting power to fund managers, for whom activism may appear an unattractively high-profile and costly business.

# Over \$5,500,000,000

## Schroder Wertheim & Co.

### A World Leader in Cross-Border Private Placements

We are proud to have arranged commitments for the following:

Anglian Water Plc	Equity Linked Investors L.P.	Pilkington plc
Bardon Group plc	EMAP plc	The Rank Organisation Plc
H.P. Bulmer Holdings P.L.C.	Erskine House Group PLC	RANSOMES plc
Burroughs Wellcome Co.	FKI plc	Senior Engineering Group plc
CAMAS plc	Gestetner Holdings PLC	Spirax-Sarco Engineering plc
Capital & Counties plc	Goal Petroleum plc	Tate & Lyle PLC
Caradon Limited	Hagemeyer N.V.	Trafalgar House
Cookson Group plc	Hebdo Mag International	Public Limited Company
Dawson International PLC	Hunting PLC	Triplex Lloyd plc
Electra Candover Direct Investment Plan	Laporte plc	Vinten Group plc
Electra Investment Trust plc	Lonrho plc	Wembley plc
Electra Private Equity Partners	Lucas Industries plc	Williams Holdings PLC
	Macmillan Limited	WPP Group plc

## Schroder Wertheim & Co. Incorporated

Stephen L. Schechter  
Managing Director

New York (1) 212-492-6000

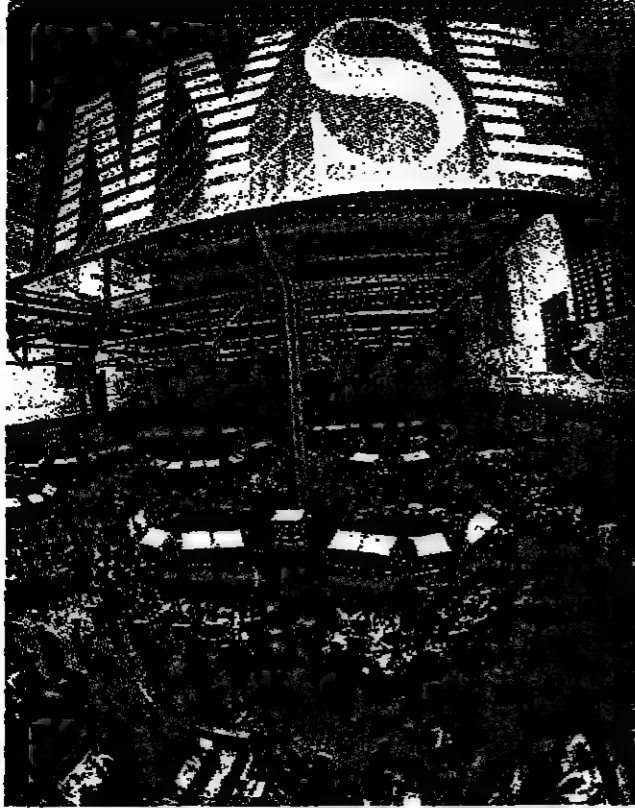
London (44) 171 382-6000

## 4 ACCESSING THE US CAPITAL MARKETS

■ American depositary receipts: by Maggie Urry

## Success could bring extinction

Demand for foreign shares has boosted ADRs while hastening listings reforms that may eventually make them obsolete

Last resource: do ADRs show domestic investors are scarce? *Glyn Owen*

In 1993 shares in Glaxo - a UK company - were the most actively traded equities on the New York Stock Exchange. Some 275bn American depositary receipts (ADRs) in Glaxo changed hands and by the end of the year over 350,000 US investors had a stake in the British pharmaceuticals business. Following the merger between Glaxo and Wellcome over 10 per cent of the combined company's shares are held in the US.

Depository receipts have come a long way since they were invented in the 1920s. American depositary receipts have been joined by global, European and other varieties, but they all have the same function of allowing American investors to buy and sell foreign shares.

Trading in ADRs on the New York Stock Exchange, American Stock Exchange and the Nasdaq over-the-counter market has grown rapidly in recent years. In 1985 the value of ADRs traded in the US was \$24bn. Last year it reached \$278bn, a more than tenfold increase in 10 years.

The amount of capital raised was on an upward trend too, until it fell in 1994 after a record year in 1993. According to Citicorp, non-US companies raised \$11.5bn in 1995, com-

## Trading in ADRs

Shares traded (\$billion)



Source: Citicorp, New York, NY

## Value of shares traded



Source: Citicorp, New York, NY

pared with \$20bn in 1994. The drop reflected a sudden halt in issuance by Latin American companies following the Mexican currency crisis at the end of 1994. Activity picked up sharply in the second half of 1995 and many predict that 1996 will be another strong year.

Depository receipts are tradable securities which represent underlying equities. They are created when the shares of a company are bought on its home stock market and deposited with a custodian. The investor is then issued with a receipt for the shares on deposit - hence the name. That receipt can be traded, or cancelled if the

underlying shares are sold and delivered from the custodian.

The advantage to US investors of ADRs is that they are just like American shares. Dividends are paid and prices quoted in dollars, and deals are struck on American exchanges and settled according to US practices.

Investors should not be misled into believing that buying ADRs allows them to avoid currency market risks. The price of the ADR reflects the domestic currency price of the underlying shares translated into dollars.

Arbitrage between ADRs and ordinary shares ensures that the two prices do not diverge. Originally ADRs would be

set up without the backing of the company concerned. These days almost all ADRs are sponsored by the issuer of the underlying shares.

Mr Kenneth Lopian, senior vice president at the Bank of New York, says the custodian bank can provide important services to the company - such as maintaining a register of US shareholders and handling dividend payments.

Many advisers suggest that companies establish an ADR facility before they consider raising US cash by selling ADRs backed by new shares. But in some instances, such as the privatisation of a company which has not been publicly owned before through a global offering, an ADR facility has to be set up as part of an issue.

ADRs have proved popular with many US investors, giving them a chance to buy shares in companies from around the world, including those from emerging markets (see stories on this page for details of three of these), without the problems of dealing with local currencies and settlement systems.

Some investors are restricted from buying shares that are not listed on a US exchange, which means that ADRs are the main route for them to diversify internationally.

Many analysts believe that ADRs are only for less sophisticated investors. Larger and more international investors have the manpower and know-how to invest directly.

Mr Nick Bratt, director of global equity research at Scudder, a large institutional money manager, says his firm prefers to buy foreign shares in local stock markets. He points out that it is often only the largest companies that have an ADR facility. He says that investment managers should search out value for investors by looking beyond them. Only around three-quarters of the top 100 UK companies, for instance, have ADR programmes.

Mr Bratt half-jokingly suggests that once a company

sponsors an ADR programme it is time to sell its shares - it must mean that the company has run out of new investors in its home country.

Pessimists like Mr Bratt aside, the ADR market faces a threat from the New York Stock Exchange's plan to trade foreign shares in their ordinary form, quoting prices in local currencies rather than dollars. That could be an early step on the road to a global securities market, with shares tradeable all round the world regardless of their origin. But that is still a distant dream.

■ Latin American ADRs: by Lisa Bransten

## Flow loses pace

The gusher of equity capital that flowed into Latin America in the early 1990s was abruptly capped last year after Mexico devalued its currency, sending fear through the ranks of emerging market investors.

In 1993 and 1994 a total of 76 companies raised more than \$10bn through American depositary receipt (ADR) programmes, while last year just eight sold equity on the US markets, raising around \$569m, according to figures from the Bank of New York.

Investors remember 1993 as a strong year for Latin American equities, when they fought to buy up the limited number of ADRs that had already been issued and put more money into new offerings. That year total returns on the ING Barings Index of Latin American equities were up nearly 52 per cent. In contrast it made a loss of 6 per cent in 1994 after Mexico's devaluation of the peso in late December.

This year many analysts are looking for Latin American ADRs to resume an upward

trajectory, but they concede that companies trying to raise new capital in the US may find the going tough.

Ms Maria Marron, a Latin American equity analyst at Salomon Brothers, thinks that there may be some demand for ADRs late this year, but that the first place most investors will look to put money will be in existing issues.

"There is a difference between buying something that had value in the past that is well off its highs and buying an unknown," she says.

One ADR deal that is expected sometime in the second quarter of this year is Telefonos de Peru, the Peruvian phone monopoly, which will undergo the final stage of privatisation when the government sells the 28.5 per cent of the business it still holds.

Based on the price of shares traded on the Lima stock exchange, that bit of the company could be worth as much as \$1.6bn, making it one of the biggest Latin American deals ever completed.

■ Israeli ADRs: by Mark Dennis

## High-tech trade

Most people would be hard-pressed to name the country that is second only to Canada as a home to foreign companies listed on American stock exchanges.

The country is not in the Far East or Europe as one might expect, but in the Middle East. Some 60 of Israel's companies are quoted in the US, most of them on Nasdaq. Their total market capitalisation is around \$12bn, as compared to \$35bn for the entire Tel Aviv Stock Exchange (TASE).

Analysts say the large number of Israeli companies listed in the US reflects both foreign enthusiasm for Israeli companies, as well as weaknesses in the TASE that drive many businesses to raise capital in the US. "The TASE is in a crisis in terms of volume. It is not functioning as a tool for raising capital," says Mr Gad Hacker of Baticha Securities. "It is much easier to get money in America."

Foreign interest in Israel has increased markedly due to a prolonged economic boom and the unfolding peace process. An offering in the US is one way Israeli companies can capitalise on this enthusiasm. Most companies who seek US cash are exporters who believe that an American listing will help them attract international clients.

High-tech businesses dominate the listings, at almost 90

per cent, and include a mixture of heavyweights, such as Tower Semi-Conductor and ECI Telecom, as well as smaller capitalisation companies. The concerns were able to launch successful offerings from the mid-1980s, when Israel's reputation for technological excellence became strong enough to overcome investors' fears about political and economic risk.

Other types of companies are now starting to bring offerings. Israel's largest industrial conglomerate, Koor Industries, recently completed a \$120m global public offering, primarily focused on the US. Several big privatisations are scheduled to take place this year. These include blue-chips like Bezeq, the telephone monopoly, and Zim Israel Shipping. Some American securities firms have set up offices in Israel in anticipation of increased business.

High-tech companies are still expected to dominate the numerous new offerings expected this year. Nice Systems, a digital communications company, and Zoran, an electronics firm, are currently making initial public offerings in the US. Moreover dozens of American venture capital funds are investing in promising high-tech start-ups, many of which are expected to go public in the US within the next few years.

■ Russian ADRs: by John Thornhill

## Lukoil pioneers

The prospect of a Russian company issuing shares on the US capital markets would have seemed as unimaginable a decade ago as a US company delivering pizzas to Muscovites' front doors. But both events happened recently.

Lukoil, whose market share of more than 15 per cent of the country's crude output makes it Russia's biggest privatised oil company, launched an American depositary receipt (ADR) programme last month, attracting strong interest from US and European investors.

The Bank of New York, acting as the depository bank, has handed packages of four Lukoil shares into one ADR. It is hopeful that foreign investors could buy up to 30 per cent of the company's shares. At Lukoil's current market value that implies almost \$1bn of Russian proxy shares could become tradeable offshore.

Lukoil's ADR programme has been classified as an unrestricted level-one issue after receiving US Securities and Exchange Commission clearance late last year. The SEC satisfied itself that sufficient safeguards concerning corporate governance and custody were in place to protect potential investors.

That approval allows even "Mom and Pop" investment institutions to buy the ADRs without too great a fear of investors launching legal pro-

ceedings against them should they be defrauded.

A string of Russian companies is set to follow Lukoil's example. Other big oil firms, such as Yukos, two of the country's most powerful banks, Inkombank and Menatep, the national grid, Unified Energy Systems, and the GUM stores are all said to be contemplating ADR programmes.

As yet Russia has barely registered on the investment horizons of Wall Street fund managers. Foreign portfolio investment in Russia is estimated to account for only 0.5 per cent even of funds dedicated to emerging markets.

But as one enthusiastic US fund manager based in Moscow says: "Russia has started from a lower base than other emerging markets and has the potential to grow the most."

Estimating the likely speed and scale of change in Russia is still a phenomenal challenge. A recent circular from CS First Boston wisely quoted the British economist John Maynard Keynes: "The economic system of Russia has undergone such rapid changes that it is impossible to obtain a precise and accurate account of it...Almost everything one can say about the country is true and false at the same time."

This comment is as valid today as when it was written in 1925.

## FOREIGN EXCHANGE leadership

YOU'RE NOT JUST LOOKING FOR AN FX DEALER, YOU'RE LOOKING FOR AN FX PARTNER.

YOU DON'T WANT PAT ANSWERS, YOU WANT INDIVIDUALIZED SOLUTIONS.

FINANCIAL EXECUTIVES HAVE RECOGNIZED A BANK LIKE THAT FOR 17 YEARS IN A ROW.

For the seventeenth successive year, Citibank has been voted No. 1 in Foreign Exchange in the *Euromoney* survey of Corporate CFOs, Treasurers and Fund Managers. Citibank FX: year after year, decade after decade, voted first by those who matter.

CITIBANK

## COMMODITIES AND AGRICULTURE

## Farmers' leader attacks EU cereal export taxes

By Alison Maitland

European Union export taxes on wheat and barley came under attack yesterday from Sir David Naish, president of Cops, the European farmers' organisation.

Sir David, who also heads the National Farmers' Union of England and Wales, said the European Commission should have opted for a licensing system to regulate the flow of EU cereals on to the world market instead of a full-blown tax.

The commission imposed the taxes in the past two months to protect EU consumers and livestock farmers after a doubling in world barley prices and a 70 per cent rise in world wheat prices threatened to draw supplies out of the EU and inflate already high internal prices.

"I don't believe there was a need to put an export tax on at

all," said Sir David. "The situation could have been controlled by the issuing of licences to ensure there were sufficient cereals for our [livestock] producers." He said the tax could itself raise EU prices by restricting world supply and pushing up world prices.

"There was an opportunity for the commission and member state governments to say to farmers: this is what is happening in the world. Free trade means there won't be a tax in and out, but we're going to regulate it to make sure we maintain a balanced agriculture for the sake of our consumers."

The tax, which reversed two decades of export subsidies, has also been criticised by the US government and by some EU grain farmers.

Sir David said the tax was "much the easiest way of doing it" because it required little management. But licences

would allow more control.

"If you let the [commission's] cereals management committee have a weekly or monthly balance sheet... the granting of export licences could have been on a *pro rata* basis to those who were bidding for them."

Sir David represents both arable and livestock farmers, whose interests diverge on this issue. While arable farmers would benefit from selling to world markets, livestock producers are facing increases in their cereal feed prices of about 10 per cent in the year to July.

He acknowledged the position would have been more difficult if pig producers - among the main users of cereal-based feed - had not enjoyed better prices last year, which helped offset higher costs. But poultry producers "were having a very serious time".

## 'Hidden' metal stocks may delay bull market

By Kenneth Gooding, Mining Correspondent

Producers of aluminium, lead, nickel, tin and zinc are likely to be working at full stretch by the end of this year and will enjoy bull market conditions in 1997, according to Mr Neil Buxton, research manager for Metal Bulletin Research.

However, at a presentation to the Association of Mining Analysts in London, he warned that in the short term aluminium, nickel, and zinc prices might be held down by "hidden" or unreported stocks being transferred to those in London Metal Exchange registered warehouses.

This could lead to stock reductions in the first quarter of this year being less than widely expected or to stock increases greater than most analysts expected. "This possibility, together with sluggish demand conditions, makes us slightly bearish towards the base metals sector for the next few months."

"By their historical relationship, prices are still high compared to stocks. So we expect there to be periods when prices do not react to falling inventories, which is the reverse of what happened in 1994 and early 1995. We expect this to particularly be a feature of the first half of 1996," he added.

Mr Buxton suggested that the prices of many semi-fabricated metal products, such as copper tubing and aluminium can sheet, would fall, cause destocking and adversely affect metal market sentiment. Sentiment would also be influenced by an expected weakness in the copper price and, possibly, by investment funds selling short.

But the next big upward move in metals prices would be in response to genuine physical tightness. "Last year's prices do not represent the peak of this cycle," he insisted.

Mr Buxton made the following forecasts: aluminium's price would average 79 cents a

pound in 1996, 3.7 per cent below last year's average but 13.7 per cent above the present price; copper's price would average \$1.80 a pound, 18.8 per cent below 1995 and 4.8 per cent below the present price; lead would average 36 cents a pound, 24 per cent up on 1995 and 10.8 per cent above the present level; nickel would average \$4 a pound, 7 per cent up on 1995 and 10.5 per cent above present levels; tin would average \$3.10 a pound, 9.9 per cent up on 1995 and 10.7 per cent above present levels; and zinc would average 49 cents a pound, 4.2 per cent up on 1995 and 6.5 per cent above present levels.

## Price rise forecast for animal feed additive

By Alison Maitland

The price of magnesite, a mineral ingredient in farm animal feed, is likely to rise because plant closures are severely reducing world output, according to ICI, the chemicals group.

The planned closure of a big plant in Kocise, Slovakia, follows the liquidation last year of China's huge Liaoning Magnesite Corporation, which supplied about a quarter of the estimated 800,000-tonnes-a-year world market.

Mr David Hopkins of ICI Nutrition, the agricultural distribution arm of ICI, said: "European stock levels are already low and supplies will tighten considerably as we enter the traditional period of heavy demand in the spring." Magnesite, or magnesium oxide, is used in small quantities in cow and sheep feed to help prevent staggers - a problem associated with magnesium shortage.

Prices are currently about \$110 a tonne in the UK, which uses 70,000 tonnes a year for animal feed. "They leapt by as much as 20 per cent following the Chinese closure and it seems certain that they have not peaked yet," said Mr Hopkins.

## Gold price seen rising past \$600 an ounce

By Kenneth Gooding

Gold's price should settle between \$580 and \$600 a troy ounce, according to Mr Gary Maude, the executive director responsible for the international gold operations of Gen-

cor of South Africa, the fourth largest producer. Last night in London the gold price closed \$405.50 an ounce.

Mr Maude explained after a meeting in London that in 1988 the gold price in real terms was twice its present level and

that was the last time South African companies could consider starting big new mines. The market needed such mines as supply was running about 1,000 tonnes a year behind demand, a gap filled only by bank selling and lending.

He denied that demand would fade as prices rose because in countries such as China, Taiwan, and Korea, with a traditional love of gold, many people for the first time had some disposable income to spend on the precious metal.

## MARKET REPORT

## Coffee futures jump another 6%

London Commodity Exchange COFFEE futures jumped 6 per cent yesterday in response to an explosion of trade buying on the New York market. The March delivery price closed at a 24-month high of \$2,200 a tonne, up \$128.

Traders said the move was broadly technical, although fundamental tightness also offered background support. "With coffee, once it gets rolling it's difficult to stop it," said one.

Option declarations also sparked off heavy short-covering at New York's Cocoa, Sugar and Coffee Exchange, where the March arabica futures position hit stop-losses and March soared more than \$10 to \$180.00 before easing slightly.

Traders said the market was caught up in the midst of profit-taking when New York market shelled its strength again and pierced through tough resistance levels.

Fears of nearby supply tightness were exacerbated by reports that a new cold front expected to move to Mexico early next week could pose risks to the country's crop for the 1996 harvest.

LCE COCOA futures ended easier but off their lows and well above nearby support levels on industry buying, traders said.

The March contract finished 24 down at \$907 a tonne.

At the London Metal Exchange LEAD and NICKEL moved up strongly on speculative buying and short-covering. Lead confirmed recent market concern over physical supplies and streaked to \$751, its highest level since October 1990, while nickel raced to its November 1995 high of \$8,500.

Traders said lead looked set to head higher over coming weeks, against a backdrop of tight physical supplies.

"All regions are suffering from a lack of material at the moment," one trader said. LME stocks stand at 110,675 tonnes, the lowest since October 1991.

Lead prices were likely to test \$900 fairly soon, analysts suggested, and a breach there could see \$900 tested in the longer term.

Nickel rose to test key technical resistance levels, raising the possibility of further chart-based gains, traders said. But the latest rally did not reflect generally weak fundamental influences.

If the price could break above the trendline, "it has room to continue up to \$8,750/\$50," said Mr William Adams of Rudolf Wolff.

The next upside target was at around \$9,000, based on the early November high, he added. Compiled from Reuters

## Bigger southern African tobacco crops likely

By Alison Maitland

Tobacco production in most of southern Africa is expected to rise this year following a good rainy season, according to the International Tobacco Growers' Association.

The region's overall output

is forecast to rise by 31m kg to 387m kg in the 1995-96 season, a marked recovery from the previous drought-hit season. "They're all smiling at present," said Mr Tom Watson, who represents the growers' association.

Planting in Zimbabwe is up

by 6.4 per cent to 81,000 hectares and growers are predicting a crop of 200m-210m kg, well up on last year's 178m.

The Tanzanian tobacco board is forecasting a rise in planting from 35,170 hectares to 37,250 hectares, with output increasing by 1m kg to 35.8m.

In Zambia, the tobacco association expects production to increase from 3.5m kg to 3m. Malawi's output is expected to remain the same as last year's 120m kg. Only South Africa is expecting a fall in production, from 25m kg to 24m kg.

## 'Petroleum coke shortage could hit aluminium output'

By Kenneth Gooding

World aluminium production is likely to be restricted by shortages of calcined petroleum coke, a material essential in the modern aluminium smelting process, the latest Spectator Report, an industry newsletter, suggests. The price of this coke has more than doubled since January last year, from \$187.10 a tonne to between \$340 and \$350.

Russian smelters would suffer most from any shortages, according to the report's author, Mr Stewart Spector. He points out that the Commonwealth of Independent States imported about 450,000 tonnes of petroleum coke last year, enough to produce 900,000 tonnes of aluminium.

Coke exports to the CIS could be cut by half this year and fall to almost nothing in 1997, he says. Russian smelters are also unlikely this year to obtain from the west sufficient alumina (aluminium oxide), another essential raw material whose price has been rising.

"These difficulties could cause Russian smelters to cut production," says Mr Spector. "Looming coke problems could also affect western smelters. We have already received reports that several of the world's smelters are unable to obtain all the coke they need to maintain production."

Two years ago some big aluminium producers shut down capacity after an international trade agreement suggested this was necessary to bring the market - severely dislocated by a collapse in demand in the CIS and a consequent surge in exports from that region - back into balance.

Mr Spector says that, if all the western smelters re-start production "something has to give around the middle of 1996". Coke stocks could be gone by the end of this year and no new coke production capacity is scheduled to come on stream until the end of next year.

Not only is there a shortage of coke capacity but green coke, used to make calcined petroleum coke is no longer in ample supply because it is more profitable for refineries to make liquids (gas, gasoline, distillates and gas oil) than coke, warns Mr Spector.

Conoco, the DuPont subsidiary, is to spend \$200m at its Humber refinery in the UK over the next two years to increase output of calcined petroleum coke for the aluminium industry.

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Arrivals Metal Trading)

## ALUMINIUM, 99.7 PURITY (per tonne)

Close 1580-82 1580-81

Previous 1580-82 1570-72

High/Low 1580-83 1580-81

AM Official 1580-83 1580-81

Open Int. 2182-21 2182-21

Total daily turnover 57,282

## ALUMINIUM ALLOY (per tonne)

Close 1585-65 1580-60

Previous 1585-65 1572-72

High/Low 1585-66 1585-60

AM Official 1585-66 1585-60

Open Int. 4,734 1585-60

Total daily turnover 1,972

## LEAD (per tonne)

Close 754.5-5.5 749.5-5.5

Previous 754.5-5.5 720-1

High/Low 754.5-5.5 717-72

AM Official 754.5-5.5 740.5-41.3

Open Int. 34,244 740-1

Total daily turnover 16,382

## NICKEL (per tonne)

Close 8455-65 8555-65

Previous 8455-65 8555-65

High/Low 8455-65 8555-60

AM Official 8455-65 8555-60

Open Int. 40,910 8555-60

Total daily turnover 12,283

## TIN (per tonne)

Close 8220-30 8200-30

Previous 8220-30 8195-20

High/Low 8220-30 8205-25

AM Official 8220-30 8205-25

Open Int. 16,821 8205-25

Total daily turnover 3,181

## ZINC, special high grade (per tonne)

Close 1057-58 1073-74

Previous 1057-58 1045-48

High/Low 1057-58 1064-49

AM Official 1057-58 1064-49

Open Int. 75,315 1064-49

Total daily turnover 90,657

## COPPER, grade A (per tonne)

Close 2554-66 2519-18

Previous 2554-66 2502-3

High/Low 2554-66 2532-2508

AM Official 2554-66 2519-18

Open Int. 175,512 2519-18

Total daily turnover 62,006

## LME AM Official 2 1/2 rates: 1.5003

LME Closing 2 1/2 rates: 1.5105

Spec 1 5103 2 rates: 1.5079 3 rates: 1.5053 4 rates: 1.5020

## HIGH GRADE COPPER (COMEX)

Close 1157.5-0.35 1177.0 1158.0

Previous 1157.5-0.35 1177.0 1158.0

High/Low 1157.5-0.35 1177.0 1158.0

AM Official 1157.5-0.35 1177.0 1158.0

Open Int. 108,855 1177.0 1158.0

Total daily turnover 249,320

## PRECIOUS METALS

(Prices supplied by N M Rothschild)

Gold (Troy oz) \$ price £ equiv SFR equiv

Close 405.30-405.70 1515.00 515.00

Previous 405.30-405.70 1515.00 515.00

High/Low 405.30-405.70 1515.00 515.00

AM Official 405.30-405.70 1515.00 515.00

Open Int. 257,805 488,888

Total daily turnover 480,513

## Silver (per 100g)

Close 385.25 385.25

Previous 385.25 385.25

High/Low 385.25 385.25

AM Official 385.25 385.25

Open Int. 266,288

Total daily turnover 62-64

## LME Silver 2 1/2 rates: 1.5003

LME Closing 2 1/2 rates: 1.5105

Spec 1 5103 2 rates: 1.5079 3 rates: 1.5053 4 rates: 1.5020

## NATURAL GAS NYMEX (10,000 mcf)

Close 1.50-0.01 1.50-0.01

Previous 1.50-0.01 1.50-0.01

High/Low 1.50-0.01 1.50-0.01

AM Official 1.50-0.01 1.50-0.01

Open Int. 1,880 1.50-0.01

Total daily turnover 1,880

## UNLEADED GASOLINE NYMEX (42,000 US gal)

Close 1.50-0.01 1.50-0.01

Previous 1.50-0.01 1.50-0.01

High/Low 1.50-0.01 1.50-0.01

AM Official 1.50-0.01 1.50-0.01

Open Int. 1,880 1.50-0.01

Total daily turnover 1,880

## Precious Metals continued

## GOLD COMEX (100 Troy oz)

Close 405.30-405.70 1515.00 515.00

Previous 405.30-405.70 1515.00 515.00

High/Low 405.30-405.70 1515.00 515.00

AM Official 405.30-405.70 1515.00 515.00

Open Int. 257,805 488,888

Total daily turnover 480,513

## PLATINUM NYMEX (50 Troy oz)

Close 420.0-0.1 420.0-0.1

Previous 420.0-0.1 420.0-0.1

High/Low 420.0-0.1 420.0-0.1

AM Official 420.0-0.1 420.0-0.1

Open Int. 1,880 420.0-0.1

Total daily turnover 1,880

## PALLADIUM NYMEX (100 Troy oz)

Close 130.0-0.1 130.0-0.1

Previous 130.0-0.1 130.0-0.1

High/Low 130.0-0.1 130.0-0.1

AM Official 130.0-0.1 130.0-0.1

Open Int. 1,880 130.0-0.1

Total daily turnover 1,880

## SILVER COMEX (50,000 Troy oz)

Close 8455-65 8555-65

Previous 8455-65 8555-65

High/Low 8455-65 8555-60

AM Official 8455-65 8555-60

Open Int. 40,910 8555-60

Total daily turnover 12,283

## CRUDE OIL NYMEX (42,000 US gal)

Close 15.50-0.01 15.50-0.01

Previous 15.50-0.01 15.50-0.01

High/Low 15.50-0.01 15.50-0.01

AM Official 15.50-0.01 15.50-0.01

Open Int. 1,880 15.50-0.01



## CURRENCIES AND MONEY

## MARKETS REPORT

## Federal Reserve cuts key US interest rates

By Our Markets Staff

The dollar rose on the foreign exchanges yesterday after the US Federal Reserve cut its key interest rates by a quarter point.

The Federal Reserve lowered its Federal funds rate to 5.25 per cent and its discount rate to 5.0 per cent.

The move was followed by the Bank of Canada, which lowered its key interest rates by a quarter point.

The prospect of fresh interest rate cuts had absorbed the attention of the foreign exchange markets throughout most of yesterday's European session, adding a note of uncertainty to trading.

With the FOMC announcement coming after the close of European trading, the dollar consequently moved in a limited range for most of the European session.

Meanwhile in Europe, the Bundesbank's decision to reduce the German repo rate

by 15 basis points to 3.4 per cent prompted speculation about further European interest rate cuts. Although the German currency was at first slightly dented by the move, it later recovered as the expectation grew that France and other European countries could follow suit.

The Bundesbank's decision to reduce its repo rate did not take the markets by surprise, with growth in Germany having weakened markedly in recent months, most traders had already anticipated a small cut.

However, the scale of the cut was slightly larger than the 10 basis points that most dealers had expected.

It also fuelled speculation that the Bundesbank might fol-

low the repo rate cut with a reduction in its discount or Lombard rate at its council meeting today.

However, most dealers said they thought this was unlikely. They said the Bundesbank would probably wait in order to assess the impact of its last rate cut on M3, its measure of the money supply.

But the German move was nevertheless thought likely to trigger further, slight easing elsewhere in Europe.

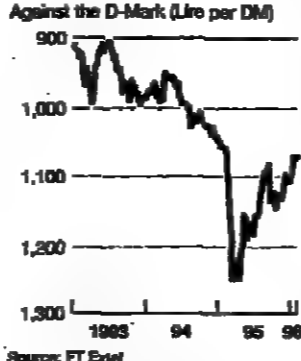
Belgium, which ties its monetary policy closely to Germany, followed suit immediately: its central rate was reduced to 3.40 per cent from 3.55 per cent and its end-of-day rate to 4.65 per cent from 4.80 per cent.

The Netherlands is also widely expected to ease policy slightly today, when it sets its special advances bank.

Meanwhile, the Bank of France, which also meets today, is expected to cut its own intervention rate by 20

Line

Against the D-Mark (Lira per DM)



Source: FT Data

basis points from its current level of 4.2 per cent.

Most European currencies were initially buoyed by the German repo rate cut before the D-Mark recovered later in the session.

The Italian lira rose sharply to end close to its recent highs, while the French franc closed modestly higher against the D-Mark.

"This environment where the Bundesbank is easing rates promotes more rapid growth across Europe and improves countries' chances of meeting the Maastricht criteria for monetary union," said Mr Lawrence Hattaway, senior currency strategist at UBS in London.

The lira found further support from the growing expectation that a new government would be formed soon.

It was also supported by comments by Mr Jean-Claude Trichet, governor of the Bank of France, who said that the Italian currency had the potential to appreciate against other European currencies.

Against the D-Mark, the lira closed higher at L1,071, from L1,074, while the French franc finished at FF3,433, from FF3,438. Traders said speculation of a small rate cut in France was likely to weaken the French franc in coming days.

Trading in the dollar was

subdued during most of the London session ahead of the FOMC meeting. Dealers said the markets had discounted a 55 basis points reduction in US rates at the meeting.

The Canadian dollar rallied strongly, buoyed partly by rumours of a large buy order in London and on speculation that Canadian rates would remain unchanged even if US rates were cut.

In London, the dollar finished at DM1.4879 against the D-Mark from DM1.490. It closed at Y106.915 against the yen, from Y107.2.

The pound finished slightly stronger against the D-Mark at DM2.2482, from DM2.241. It was also ahead against the dollar at \$1.511 from \$1.504.

US LEHMAN FT London

5 LEHMAN FT London

5 LEHMAN FT London

5 LEHMAN FT London

5 LEHMAN FT London

## POUND SPOT FORWARD AGAINST THE POUND

Jan 31	Closing mid-point	Change on day	Day's high	Day's low	One month	Three months	One year	Bank of England
Belgium	18.8000	+0.0008	018.812	18.8000	15.7500	15.7500	15.7500	108.1
Denmark	11.8100	+0.0008	011.822	11.8100	10.8100	10.8100	10.8100	108.1
France	16.5500	+0.0008	016.562	16.5500	15.5500	15.5500	15.5500	108.1
Germany	16.5500	+0.0008	016.562	16.5500	15.5500	15.5500	15.5500	108.1
Italy	13.7500	+0.0008	013.762	13.7500	12.7500	12.7500	12.7500	108.1
Netherlands	10.8100	+0.0008	010.822	10.8100	9.8100	9.8100	9.8100	108.1
Spain	16.5500	+0.0008	016.562	16.5500	15.5500	15.5500	15.5500	108.1
Sweden	10.8100	+0.0008	010.822	10.8100	9.8100	9.8100	9.8100	108.1
Switzerland	10.8100	+0.0008	010.822	10.8100	9.8100	9.8100	9.8100	108.1
UK	1.0000	+0.0008	01.012	1.0000	0.9900	0.9900	0.9900	108.1
US	1.5000	+0.0008	01.512	1.5000	1.4900	1.4900	1.4900	108.1

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 31	Closing mid-point	Change on day	Day's high	Day's low	One month	Three months	One year	JP Morgan
Belgium	18.8000	+0.0008	018.812	18.8000	15.7500	15.7500	15.7500	108.1
Denmark	11.8100	+0.0008	011.822	11.8100	10.8100	10.8100	10.8100	108.1
France	16.5500	+0.0008	016.562	16.5500	15.5500	15.5500	15.5500	108.1
Germany	16.5500	+0.0008	016.562	16.5500	15.5500	15.5500	15.5500	108.1
Italy	13.7500	+0.0008	013.762	13.7500	12.7500	12.7500	12.7500	108.1
Netherlands	10.8100	+0.0008	010.822	10.8100	9.8100	9.8100	9.8100	108.1
Spain	16.5500	+0.0008	016.562	16.5500	15.5500	15.5500	15.5500	108.1
Sweden	10.8100	+0.0008	010.822	10.8100	9.8100	9.8100	9.8100	108.1
Switzerland	10.8100	+0.0008	010.822	10.8100	9.8100	9.8100	9.8100	108.1
UK	1.0000	+0.0008	01.012	1.0000	0.9900	0.9900	0.9900	108.1
US	1.5000	+0.0008	01.512	1.5000	1.4900	1.4900	1.4900	108.1

## CROSS RATES AND DERIVATIVES

## EXCHANGE CROSS RATES

Jan 31	DF	DK	FF	DM	£	L	¥	N¥	Sc	Sw	S¥	CS	S	Y	Sc
Belgium	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000	18.8000
Denmark	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100	11.8100
France	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500
Germany	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500
Italy	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500	13.7500
Netherlands	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100
Spain	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500	16.5500
Sweden	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100
Switzerland	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100	10.8100
UK	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
US	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000

## D-MARK FUTURES (DM) DM 125,000 per DM

Jan 31	Open	High	Low	Est. vol	Open int.
Mar	0.6732	0.6734	0.6730	0.6732	18,000
Jun	0.6732	0.6734	0.6730	0.6732	18,000
Sep	0.6732	0.6734	0.6730	0.6732	18,000

## EURO FRANK FUTURES (DM) SF 125,000 per SF

Jan 31	Open	High	Low	Est. vol	Open int.
Mar	0.6258	0.6259	0.6257	0.6258	18,000
Jun	0.6258	0.6259	0.6257	0.6258	18,000
Sep	0.6258	0.6259	0.6257	0.6258	18,000

## UK INTEREST RATES

## LONDON MONEY RATES

Jan 31	Overnight	7 days	One month	Three months	Six months	One year
Interbank	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Bank	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Local authority	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Discount	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%

## UK clearing bank base lending rate 6 1/2 per cent from January 15, 1996

Up to 1-3 months	3-6 months	6-9 months	9-12 months
6 1/2%	6 1/2%	6 1/2%	6 1/2%

Cert. of Tax. dep. (£100,000) 2 1/2%  
 Capital of Tax. dep. (£100,000) 2 1/2%  
 Capital of Tax. dep. (£100,000) 2 1/2%  
 Capital of Tax. dep. (£100,000) 2 1/2%

1995 Agreed rate for period Feb 28, 1995 to Mar 28, 1995, 5.25%  
 1995 Agreed rate for period Apr 1, 1995 to May 1, 1995, 5.25%  
 1995 Agreed rate for period May 2, 1995 to Jun 2, 1995, 5.25%

1995 Agreed rate for period Jun 3, 1995 to Jul 3, 1995, 5.25%  
 1995 Agreed rate for period Jul 4, 1995 to Aug 4, 1995, 5.25%  
 1995 Agreed rate for period Aug 5, 1995 to Sep 5, 1995, 5.25%

1995 Agreed rate for period Sep 6, 1995 to Oct 6, 1995, 5.25%  
 1995 Agreed rate for period Oct 7, 1995 to Nov 7, 1995, 5.25%  
 1995 Agreed rate for period Nov 8, 1995 to Dec 8, 1995, 5.25%

1995 Agreed rate for period Dec 9, 1995 to Jan 9, 1996, 5.25%  
 1995 Agreed rate for period Jan 10, 1996 to Feb 10, 1996, 5.25%  
 1995 Agreed rate for period Feb 11, 1996 to Mar 11, 1996, 5.25%

1995 Agreed rate for period Mar 12, 1996 to Apr 12, 1996, 5.25%  
 1995 Agreed rate for period Apr 13, 1996 to May 13, 1996, 5.25%  
 1995 Agreed rate for period May 14, 1996 to Jun 14, 1996, 5.25%

1995 Agreed rate for period Jun 15, 1996 to Jul 15, 1996, 5.25%  
 1995 Agreed rate for period Jul 16, 1996 to Aug 16, 1996, 5.25%  
 1995 Agreed rate for period Aug 17, 1996 to Sep 17, 1996, 5.25%

1995 Agreed rate for period Sep 18, 1996 to Oct 18, 1996, 5.25%  
 1995 Agreed rate for period Oct 19, 1996 to Nov 19, 1996, 5.25%  
 1995 Agreed rate for period Nov 20, 1996 to Dec 20, 1996, 5.25%

1995 Agreed rate for period Dec 21, 1996 to Jan 21, 1997, 5.25%  
 1995 Agreed rate for period Jan 22, 1997 to Feb 22, 1997, 5.25%  
 1995 Agreed rate for period Feb 23, 1997 to Mar 23, 1997, 5.25%

1995 Agreed rate for period Mar 24, 1997 to Apr 24, 1997, 5.25%  
 1995 Agreed rate for period Apr 25, 1997 to May 25, 1997, 5.25%  
 1995 Agreed rate for period May 26, 1997 to Jun 26, 1997, 5.25%

1995 Agreed rate for period Jun 27, 1997 to Jul 27, 1997, 5.25%  
 1995 Agreed rate for period Jul 28, 1997 to Aug 28, 1997, 5.25%  
 1995 Agreed rate for period Aug 29, 1997 to Sep 29, 1997, 5.25%

1995 Agreed rate for period Sep 30, 1997 to Oct 30, 1997, 5.25%  
 1995 Agreed rate for period Oct 31, 1997 to Nov 30, 1997, 5.25%  
 1995 Agreed rate for period Dec 1, 1997 to Jan 1, 1998, 5.25%

1995 Agreed rate for period Jan 2, 1998 to Feb 2, 1998, 5.25%  
 1995 Agreed rate for period Feb 3, 1998 to Mar 3, 1998, 5.25%  
 1995 Agreed rate for period Mar 4, 1998 to Apr 4, 1998, 5.25%

1995 Agreed rate for period Apr 5, 1998 to May 5, 1998, 5.25%  
 1995 Agreed rate for period May 6, 1998 to Jun 6, 1998, 5.25%  
 1995 Agreed rate for period Jun 7, 1998 to Jul 7, 1998, 5.25%

1995 Agreed rate for period Jul 8, 1998 to Aug 8, 1998, 5.25%  
 1995 Agreed rate for period Aug 9, 1998 to Sep 9, 1998, 5.25%  
 1995 Agreed rate for period Sep 10, 1998 to Oct 10, 1998, 5.25%

1995 Agreed rate for period Oct 11, 1998 to Nov 11, 1998, 5.25%  
 1995 Agreed rate for period Nov 12, 1998 to Dec 12, 1998, 5.25%  
 1995 Agreed rate for period Dec 13, 1998 to Jan 13, 1999, 5.25%

1995 Agreed rate for period Jan 14, 1999 to Feb 14, 1999, 5.25%  
 1995 Agreed rate for period Feb 15, 1999 to Mar 15, 1999, 5.25%  
 1995 Agreed rate for period Mar 16, 1999 to Apr 16, 1999, 5.25%

1995 Agreed rate for period Apr 17, 1999 to May 17, 1999, 5.25%  
 1995 Agreed rate for period May 18, 1999 to Jun 18, 1999, 5.25%  
 1995 Agreed rate for period Jun 19, 1999 to Jul 19, 1999, 5.25%

1995 Agreed rate for period Jul 20, 1999 to Aug 20, 1999, 5.25%  
 1995 Agreed rate for period Aug 21, 1999 to Sep 21, 1999, 5.25%  
 1995 Agreed rate for period Sep 22, 1999 to Oct 22, 1999, 5.25%

1995 Agreed rate for period Oct 23, 1999 to Nov 23, 1999, 5.25%  
 1995 Agreed rate for period Nov 24, 1999 to Dec 24, 1999, 5.25%  
 1995 Agreed rate for period Dec 25, 1999 to Jan 25, 2000, 5.25%

## GOLD MINES OF KALGOORLIE LIMITED

## NOTICE OF MEETING OF THE HOLDERS OF THE

Gold Mines of Kalgoorlie Limited (the "Company")  
 US\$65,000,000 7 1/2 per cent Subordinated Convertible  
 Bonds due 2006 (the "Bonds") and the "Bonds" respectively)

In accordance with the terms and conditions of the Trust Deed dated 28 February 1990, notice is hereby given that a meeting of the holders of the Bonds will be held at the offices of the Company, Exchange House, 100 Exchange Street, Sydney, New South Wales, Australia, on Friday, 23 February 1996 at 10.00 am for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as an Extraordinary Resolution.

EXTRAORDINARY RESOLUTION  
 THAT the meeting of the holders of the outstanding US\$65,000,000 7 1/2 per cent Subordinated Convertible Bonds due 2006 (the "Bonds") of Gold Mines of Kalgoorlie Limited (the "Company") convened by a Trust Deed dated 28 February 1990 (the "Trust Deed") be and the same be resolved that the Bonds be redeemed in full on or before the date of the meeting of the holders of the Bonds.

(i) hereby approves and endorses the proposal to be made at the meeting of the holders of the Bonds to redeem the Bonds in full on or before





**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4978 for more details.

## OFFSHORE AND OVERSEAS

**BERMUDA (SIB RECOGNISED)**

[illegible]

**BERMUDA (REGULATED)(\*)**

Dormitories last semester		Housing last semester		Total	
Room	Value	Room	Value	Room	Value
100	1.00	100	1.00	100	1.00
101	2.00	101	2.00	101	2.00
102	3.00	102	3.00	102	3.00
103	4.00	103	4.00	103	4.00
104	5.00	104	5.00	104	5.00
105	6.00	105	6.00	105	6.00
106	7.00	106	7.00	106	7.00
107	8.00	107	8.00	107	8.00
108	9.00	108	9.00	108	9.00
109	10.00	109	10.00	109	10.00
110	11.00	110	11.00	110	11.00
111	12.00	111	12.00	111	12.00
112	13.00	112	13.00	112	13.00
113	14.00	113	14.00	113	14.00
114	15.00	114	15.00	114	15.00
115	16.00	115	16.00	115	16.00
116	17.00	116	17.00	116	17.00
117	18.00	117	18.00	117	18.00
118	19.00	118	19.00	118	19.00
119	20.00	119	20.00	119	20.00
120	21.00	120	21.00	120	21.00
121	22.00	121	22.00	121	22.00
122	23.00	122	23.00	122	23.00
123	24.00	123	24.00	123	24.00
124	25.00	124	25.00	124	25.00
125	26.00	125	26.00	125	26.00
126	27.00	126	27.00	126	27.00
127	28.00	127	28.00	127	28.00
128	29.00	128	29.00	128	29.00
129	30.00	129	30.00	129	30.00
130	31.00	130	31.00	130	31.00
131	32.00	131	32.00	131	32.00
132	33.00	132	33.00	132	33.00
133	34.00	133	34.00	133	34.00
134	35.00	134	35.00	134	35.00
135	36.00	135	36.00	135	36.00
136	37.00	136	37.00	136	37.00
137	38.00	137	38.00	137	38.00
138	39.00	138	39.00	138	39.00
139	40.00	139	40.00	139	40.00
140	41.00	140	41.00	140	41.00
141	42.00	141	42.00	141	42.00
142	43.00	142	43.00	142	43.00
143	44.00	143	44.00	143	44.00
144	45.00	144	45.00	144	45.00
145	46.00	145	46.00	145	46.00
146	47.00	146	47.00	146	47.00
147	48.00	147	48.00	147	48.00
148	49.00	148	49.00	148	49.00
149	50.00	149	50.00	149	50.00
150	51.00	150	51.00	150	51.00
151	52.00	151	52.00	151	52.00
152	53.00	152	53.00	152	53.00
153	54.00	153	54.00	153	54.00
154	55.00	154	55.00	154	55.00
155	56.00	155	56.00	155	56.00
156	57.00	156	57.00	156	57.00
157	58.00	157	58.00	157	58.00
158	59.00	158	59.00	158	59.00
159	60.00	159	60.00	159	60.00

**GUERNSEY** (SUB RECOGNISED)

[illegible]

**GUERNSEY (REGULATED)**

[illegible]

**IRELAND (SIB RECOGNISED)**

[illegible]

**IRELAND (REGULATED)(\*)**

[illegible]

**ISLE OF MAN** (SEE RECOGNITION)

[illegible]

## ISLE OF MAN REGULATORY

[illegible]

**JERSEY** (SIS RECOGNISED)

**AMR Travel Management (US) Ltd**  
 10000 Wilshire Blvd, Suite 1000  
 Beverly Hills, CA 90210  
 Tel: 310 277 1000  
 Fax: 310 277 1001  
 Email: [info@amrtm.com](mailto:info@amrtm.com)  
 Website: [www.amrtm.com](http://www.amrtm.com)  
 AMR Travel Management (US) Ltd is a leading provider of corporate travel management services. The company offers a wide range of services, including travel booking, travel management, and travel risk management. AMR Travel Management (US) Ltd is a subsidiary of AMR Corporation, a leading provider of corporate travel management services.

**AMR Travel Management (US) Ltd**  
 10000 Wilshire Blvd, Suite 1000  
 Beverly Hills, CA 90210  
 Tel: 310 277 1000  
 Fax: 310 277 1001  
 Email: [info@amrtm.com](mailto:info@amrtm.com)  
 Website: [www.amrtm.com](http://www.amrtm.com)  
 AMR Travel Management (US) Ltd is a leading provider of corporate travel management services. The company offers a wide range of services, including travel booking, travel management, and travel risk management. AMR Travel Management (US) Ltd is a subsidiary of AMR Corporation, a leading provider of corporate travel management services.

**AMR Travel Management (US) Ltd**  
 10000 Wilshire Blvd, Suite 1000  
 Beverly Hills, CA 90210  
 Tel: 310 277 1000  
 Fax: 310 277 1001  
 Email: [info@amrtm.com](mailto:info@amrtm.com)  
 Website: [www.amrtm.com](http://www.amrtm.com)  
 AMR Travel Management (US) Ltd is a leading provider of corporate travel management services. The company offers a wide range of services, including travel booking, travel management, and travel risk management. AMR Travel Management (US) Ltd is a subsidiary of AMR Corporation, a leading provider of corporate travel management services.

**LUXEMBOURG** (SIB RECOGNISED)

[illegible]**LUXEMBOURG (REGULATED)** (100)

Asset	Assets	Liabilities	Net
<b>Ascent International Underwrite Fund (A)</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Alliance Capital</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Amplify</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Archipelago Fund</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Asia Development Equity Fund</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Asia Pacific Fund</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Asia Pacific Fund</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Asia Pacific Fund</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00
<b>Asia Pacific Fund</b>			
Assets			
Cash	100.00		100.00
Accounts Receivable	100.00		100.00
Inventory	100.00		100.00
Prepaid Expenses	100.00		100.00
Other Assets	100.00		100.00
Liabilities			
Accounts Payable	100.00		100.00
Other Liabilities	100.00		100.00
Net Assets	100.00		100.00

مکرمین الذہل

## OFFSHORE INSURANCES

[illegible]

## LONDON STOCK EXCHANGE

## MARKET REPORT

## Global rate cut optimism continues to lift shares

By Steve Thompson,  
UK Stock Market Editor

The prospect of another series of global interest rate cuts helped to propel the FT-SE 100 index to an all-time closing high yesterday. Although there was no hard and fast news when London closed for business, the market was looking for a reduction of at least 25 basis points in the US Federal Funds rate. And there were hopes that a cut by the Federal Reserve could encourage Germany's discount rate by at least the same amount.

A move by the Bundesbank to lower its repo rate by 15 basis

points, the third reduction in as many weeks by the German central bank, was taken very positively by international stock markets. At the close of one of the busiest trading sessions for many weeks, the FT-SE 100 settled at an all-time closing peak of 3,758.3, up 24.0 on the day, while the FT-SE Mid 250 index gave another strong performance, adding 23.3 at 4,125.0.

Dealers made the point that the FT-SE Mid 250, which has underperformed the FT-SE 100 over the past 18 months, is now within striking distance of its record peak, 4,152.8, which it hit on February 3, 1994.

It was by no means plain sailing for UK equities, however. Wall

Street's advance on Tuesday evening, which took the Dow Jones Industrial Average up 76 points to yet another all-time high, saw London's marketmakers hoist their opening prices for the leading UK stocks.

Consequently, the Footsie started the day 22.5 higher, but then encountered various pockets of resistance, which began to erode the market's confidence.

News that the Elf-Enterprise joint venture had sold its 12.9 per cent stake in Enterprise Oil, some 67.7m shares, to a trio of brokers, who quickly placed the stock with a variety of institutions, helped to drain the market's liquidity.

There was also some slight disappointment in the market with the outcome of the £3m auction of gilts, although some dealers said that the cover of almost two times was better than had been expected.

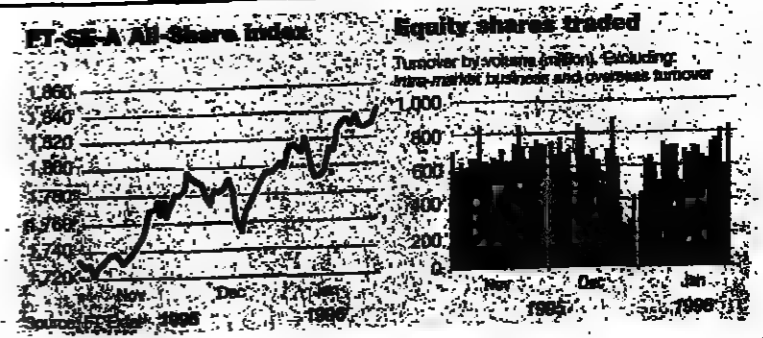
Gilts had made limited progress during the early part of the morning, posting gains of between five and seven ticks, but ran out of steam after the auction news was published.

Initial indications from Wall Street added to the gloom in London, and the Footsie came back to register its lowest level of the day, 3,739.2, shortly after US markets opened. The Dow posted an early 20-point fall but then began to claw

its way back, eventually moving into positive territory as London closed and imparting late strength to the FT-SE 100.

BSkyB topped the Footsie performance league, attracting keen interest ahead of next Tuesday's interim results and amid hints that Carrefour, the French retailing group, may be considering the sale of its stake in the satellite television company to Sony, the Japanese electronics giant.

Turnover in equities at 6pm topped the 1m-share mark, eventually settling at 1,044m shares, with Enterprise Oil accounting for 15 per cent of the total. Customer business on Tuesday was valued at £2,036m.



Indices and ratios					
FT-SE 100	3758.3	+24.0	FT Ordinary Index	2768.4	+10.4
FT-SE Mid 250	4125.0	+23.3	FT-SE New Asia p/e	17.12	(16.80)
FT-SE A 350	1888.0	+12.2	FT-SE 100 Div Yield	3.72	+0.10
FT-SE A All-Share	1841.9	+12.4	10 yr Gilt yield	7.48	(7.43)
FT-SE A All-Share yield	3.71	(3.73)	Long gilt/equity yld ratio	2.13	(2.11)

Best performing sectors			Worst performing sectors		
1 Building Metals	+2.5		1 Oil Exploration	-1.7	
2 Pharmaceuticals	+2.0		2 Diversified Inds	-1.5	
3 Telecommunications	+1.9		3 Alcoholic Beverages	-0.8	
4 Media	+1.4		4 Health Care	-0.5	
5 Extractive Inds	+1.4		5 Household Goods	-0.4	

## Hanson takes a dive

The market took a close look at Hanson's plans to demerge and did not like them. Then it took a look at other potential break-up candidates and decided it did not much like them either.

Hanson lost all the gain achieved on Tuesday, as US investors took a dim view of the financial benefits that can be accrued from the international conglomerate's four-way split.

Dividend prospects are being questioned and so is the valuation of the company. Hanson fell 9 to 202½p with 61m traded, while comparable UK companies Tomkins and BTR shed 5 to 276p and 4 to 331½p respectively.

BAT Industries was also weaker for a while, but the cash generative aspects of tobacco, and the fact that BAT's sales are mainly in emerging markets where there are few regulatory worries, saw the shares bounce to close 5½ up at 584½p.

Enterprise deal

Enterprise, the oil production and exploration company, fell almost 3.5 per cent as a near 13 per cent stake was placed in early trading.

Three leading brokers took on the 6m-share holding from Enterprise's joint venture with Elf created four years ago. Cazenove, BZW, and Com-

merzbank, of Germany, sold the shares in a "bought deal", one of the most risky aspects of stockbroking. In a bought deal, brokers bid for shares and take them all on to their books. There is usually no time to pre-place shares and the risks involved are factored into a sharply discounted price.

With Enterprise Oil, the shares were taken on at a discount of more than 20p to the prevailing mid-price. Most of the shares were successfully placed at 36p and the underlying price dipped 13 to 36p while turnover rose to 161m.

Analysts said that, in the long term, Enterprise would benefit, as investors had been waiting for the shares to be sold for some time and the expectation had dampened down the price. However, in the short term, the sale is expected to have soaked up much of the appetite for stock.

Glaxo active

Pharmaceuticals giant Glaxo Wellcome moved forward 29½ to 961½p on substantial turnover of 13m shares in the wake of heavy buying in the US.

New York buyers were stimulated by news from Merck that its Aids treatment was highly effective with a cocktail that includes Glaxo Wellcome's AZT.

It gave US investors, who now hold around 7 per cent of the pharmaceuticals giant, compared with more than 25 per cent a few years ago, an excuse to pick up stock.

Glaxo is trading at a discount to its US counterparts but UK analysts were surprised that the news from Merck would have an impact.

They said the statement was based on a very small study, and long term worries over the patent expiry of Glaxo's key products - Zovirax and Zovirax - were still very real.

News that Halifax had decided to sack Sun Alliance as its main house insurer and replace it with Royal Insurance prompted forces two-way dealing in both insurance stocks. Royal rose 7 to 386p on the news and Sun fell 7 to 570p.

Analysts said the good news for Royal was that it had secured a long contract in an area where it excels. However, the bad news was that the margins imposed by Britain's biggest building society are painfully tight. A number of analysts were advising clients to sell Royal shares yesterday.

For Sun, the bad news is that it will need to disband its Halifax operation and deal with 300 staff who no longer have a dedicated function. The good

news is that it could release some £80m of capital and pursue its interest in an overseas acquisition.

Vodafone, the mobile phone group, rose 7 to 237½p as Henderson Crosthwaite, the agency broker, issued a strong recommendation. The agency broker believes that Vodafone will boost its subscriber numbers to 4m by March 1997.

Cable and Wireless gained 11½ at 444½p on expectation that a new chief executive will be announced very shortly.

Yorkshire Electricity

sparked 35 higher to 719p on talk that the utility might be the next bid target in the sector.

The German government's package to boost growth and jobs, announced on Tuesday, together with yesterday's reduction in the repo rate, combined to boost construction stocks exposed to the German market.

Redland, which last year derived about 50 per cent of profits from Germany, was among the day's best performers in the Footsie. The shares put on 14 at 396p, RMC Group, the US, in a £1.65m deal.

The shares rose 9 to 546p following the recommendation. Analysts at Henderson said: "In our view, RMC Electronics' merger with Premier Industrial is a brilliant industrial deal, offering numerous opportunities for revenue growth and cost savings without a large degree of commercial risk."

The market appreciated TI Group's sale of three of its non-core engineering businesses for \$44m. The shares rose 9 to 487p. Hopes of improved sales to Germany for British Steel helped the shares bounce 4½ to 171½p. Volume by the close had reached 7.5m.

Williams Holdings appreciated 7 to 341p after SBC Warburg reiterated its buy stance on the stock. The broker highlighted the stock's attractions, saying it expected good growth from the fire protection and security products markets.

Property and shipping giant P&O ran into profit-taking and retreated 12½ to 549½p. Stagecoach Holdings, which on Monday announced the acquisition of the Bus South, the South Manchester operator, in a £40.7m deal, remained in favour and the shares gained a further 5 to 380p.

Aero engines group Rolls-Royce hardened a penny to 240p. Henderson Crosthwaite favoured the stock and yesterday issued a buy recommendation and set a medium term share price target of 240p.

Mr Brian Newman at the broker said: "The Rolls Trent engine has major technical advantages over the competition and will emerge as the airlines' first choice on the Boeing 777."

The same broker also urged investors to buy Farnell Electronics, which earlier this month announced that it is purchasing Premier Industrial Corporation, of the US, in a £1.65m deal.

The shares rose 9 to 546p following the recommendation. Analysts at Henderson said: "In our view, RMC Electronics' merger with Premier Industrial is a brilliant industrial deal, offering numerous opportunities for revenue growth and cost savings without a large degree of commercial risk."

The market appreciated TI Group's sale of three of its non-core engineering businesses for \$44m. The shares rose 9 to 487p. Hopes of improved sales to Germany for British Steel helped the shares bounce 4½ to 171½p. Volume by the close had reached 7.5m.

Williams Holdings appreciated 7 to 341p after SBC Warburg reiterated its buy stance on the stock. The broker highlighted the stock's attractions, saying it expected good growth from the fire protection and security products markets.

Property and shipping giant P&O ran into profit-taking and retreated 12½ to 549½p. Stagecoach Holdings, which on Monday announced the acquisition of the Bus South, the South Manchester operator, in a £40.7m deal, remained in favour and the shares gained a further 5 to 380p.

Aero engines group Rolls-Royce hardened a penny to 240p. Henderson Crosthwaite favoured the stock and yesterday issued a buy recommendation and set a medium term share price target of 240p.

Mr Brian Newman at the broker said: "The Rolls Trent engine has major technical advantages over the competition and will emerge as the airlines' first choice on the Boeing 777."

The same broker also urged

investors to buy Farnell Electronics, which earlier this month announced that it is purchasing Premier Industrial Corporation, of the US, in a £1.65m deal.

The shares rose 9 to 546p following the recommendation. Analysts at Henderson said: "In our view, RMC Electronics' merger with Premier Industrial is a brilliant industrial deal, offering numerous opportunities for revenue growth and cost savings without a large degree of commercial risk."

The market appreciated TI Group's sale of three of its non-core engineering businesses for \$44m. The shares rose 9 to 487p. Hopes of improved sales to Germany for British Steel helped the shares bounce 4½ to 171½p. Volume by the close had reached 7.5m.

Williams Holdings appreciated 7 to 341p after SBC Warburg reiterated its buy stance on the stock. The broker highlighted the stock's attractions, saying it expected good growth from the fire protection and security products markets.

Property and shipping giant P&O ran into profit-taking and retreated 12½ to 549½p. Stagecoach Holdings, which on Monday announced the acquisition of the Bus South, the South Manchester operator, in a £40.7m deal, remained in favour and the shares gained a further 5 to 380p.

Aero engines group Rolls-Royce hardened a penny to 240p. Henderson Crosthwaite favoured the stock and yesterday issued a buy recommendation and set a medium term share price target of 240p.

Mr Brian Newman at the broker said: "The Rolls Trent engine has major technical advantages over the competition and will emerge as the airlines' first choice on the Boeing 777."

The shares rose 9 to 546p following the recommendation. Analysts at Henderson said: "In our view, RMC Electronics' merger with Premier Industrial is a brilliant industrial deal, offering numerous opportunities for revenue growth and cost savings without a large degree of commercial risk."

The market appreciated TI Group's sale of three of its non-core engineering businesses for \$44m. The shares rose 9 to 487p. Hopes of improved sales to Germany for British Steel helped the shares bounce 4½ to 171½p. Volume by the close had reached 7.5m.

Williams Holdings appreciated 7 to 341p after SBC Warburg reiterated its buy stance on the stock. The broker highlighted the stock's attractions, saying it expected good growth from the fire protection and security products markets.

Property and shipping giant P&O ran into profit-taking and retreated 12½ to 549½p. Stagecoach Holdings, which on Monday announced the acquisition of the Bus South, the South Manchester operator, in a £40.7m deal, remained in favour and the shares gained a further 5 to 380p.

Aero engines group Rolls-Royce hardened a penny to 240p. Henderson Crosthwaite favoured the stock and yesterday issued a buy recommendation and set a medium term share price target of 240p.

Mr Brian Newman at the broker said: "The Rolls Trent engine has major technical advantages over the competition and will emerge as the airlines' first choice on the Boeing 777."

The same broker also urged

investors to buy Farnell Electronics, which earlier this month announced that it is purchasing Premier Industrial Corporation, of the US, in a £1.65m deal.

The shares rose 9 to 546p following the recommendation. Analysts at Henderson said: "In our view, RMC Electronics' merger with Premier Industrial is a brilliant industrial deal, offering numerous opportunities for revenue growth and cost savings without a large degree of commercial risk."

The market appreciated TI Group's sale of three of its non-core engineering businesses for \$44m. The shares rose 9 to 487p. Hopes of improved sales to Germany for British Steel helped the shares bounce 4½ to 171½p. Volume by the close had reached 7.5m.

Williams Holdings appreciated 7 to 341p after SBC Warburg reiterated its buy stance on the stock. The broker highlighted the stock's attractions, saying it expected good growth from the fire protection and security products markets.

Property and shipping giant P&O ran into profit-taking and retreated 12½ to 549½p. Stagecoach Holdings, which on Monday announced the acquisition of the Bus South, the South Manchester operator, in a £40.7m deal, remained in favour and the shares gained a further 5 to 380p.

Aero engines group Rolls-Royce hardened a penny to 240p. Henderson Crosthwaite favoured the stock and yesterday issued a buy recommendation and set a medium term share price target of 240p.

Mr Brian Newman at the broker said: "The Rolls Trent engine has major technical advantages over the competition and will emerge as the airlines' first choice on the Boeing 777."

## FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFE) 25 per full index point (APR)					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE MID 250 INDEX FUTURES (LIFE) £10 per full index point					
Open	4125.0	Change	+25.0	High	4135.0
Low	4115.0	Est. Vol.	0	Open Int.	8307
Mar	4130.0	Sett price	+25.0		
Jan	4130.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE STYLE FT-SE 100 INDEX OPTION (LIFE) £10 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

FT-SE 100 INDEX OPTION (LIFE) 25 per full index point					
Open	3758.0	Change	+10.0	High	3768.0
Low	3748.0	Est. Vol.	11008	Open Int.	85543
Mar	3763.0	Sett price	+10.0		
Jan	3763.0				

2.50	0.07	2.57	17.99	25.17	1082.43	Reactive & Commodity	1,200	659	-4	
2.50	0.03	2.53	17.98	12.52	1403.80	Predictor	2,000	369	NA	
2.50	0.41	2.51	20.71	1.17	1229.12	Predictor	1,000	1030	NA	
2.50	0.94	2.72	1.99	24.17	1.17	857.33	Predictor	1,000	346	NA
2.50	0.82	5.13	2.02	12.99	26.51	1020.13	Predictor	4,000	204	NA
2.50	6.12	2.82	8.33	102.23	1307.29	Predictor	2,500	569	-7	
2.50	7.93	1.04	15.95	0.00	787.95	Predictor	4,700	265	NA	
2.50	1.81	2.94	1.74	16.75	0.00	999.18	Predictor	3,200	225	NA
						Schrodinger	110	129	NA	

## WORLD STOCK MARKETS

EUROPE									
Stock	High	Low	Yld	P/E	Stock	High	Low	Yld	P/E
AUSTRIA (Jan 31 / Sch)									
Alpine	1,850	1,820	2.8	10.2	Alpine	1,850	1,820	2.8	10.2
Alpine	1,850	1,820	2.8	10.2	Alpine	1,850	1,820	2.8	10.2
BELGIUM-LUXEMBOURG (Jan 31 / Frs)									
Alpine	5,210	5,180	3.0	10.2	Alpine	5,210	5,180	3.0	10.2
Alpine	5,210	5,180	3.0	10.2	Alpine	5,210	5,180	3.0	10.2
DENMARK (Jan 31 / Kr)									
Alpine	188.00	186.00	2.8	10.2	Alpine	188.00	186.00	2.8	10.2
Alpine	188.00	186.00	2.8	10.2	Alpine	188.00	186.00	2.8	10.2
FINLAND (Jan 31 / Mk)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
FRANCE (Jan 31 / Frs)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
GERMANY (Jan 31 / DM)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Greece (Jan 31 / Drachmas)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
ITALY (Jan 31 / Lire)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
NETHERLANDS (Jan 31 / Gld)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
NORWAY (Jan 31 / Kroner)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
POLAND (Jan 31 / Zloty)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
PORTUGAL (Jan 31 / Escudos)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
SPAIN (Jan 31 / Ptas)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
SWEDEN (Jan 31 / Kronor)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
SWITZERLAND (Jan 31 / Frs)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
TURKEY (Jan 31 / TL Lira)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
UNITED KINGDOM (Jan 31 / Pts)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
WEST GERMANY (Jan 31 / DM)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
YUGOSLAVIA (Jan 31 / Dina)									
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2
Alpine	144.00	142.00	2.8	10.2	Alpine	144.00	142.00	2.8	10.2

When Rockwell isn't powering the Shuttle into space it's delivering just-in-time sunroofs in 136 minutes

Rockwell

Automation • Avionics • Telecommunications  
Defense Electronics • Aerospace • Automotive • Graphic Systems

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)

NETHERLANDS (Jan 31 / Gld)

NORWAY (Jan 31 / Kroner)

PORTUGAL (Jan 31 / Escudos)

SPAIN (Jan 31 / Ptas)


NETHERLANDS (Jan 31 / Gld)

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

continued on next page

**BE OUR GUEST.**



**CORINTHIA PALACE**  
HOTEL

When you stay with us  
in **VALLETTA (Malta)**  
stay in touch -  
with your complimentary copy of the



**FINANCIAL TIMES**

## هكذا من الأصيل

**NASDAQ NATIONAL MARKET**

NY SE							NY SE							NY SE							NY SE						
Adv.	Chg.	Stk.	High	Low	Last	Chg.	Adv.	Chg.	Stk.	High	Low	Last	Chg.	Adv.	Chg.	Stk.	High	Low	Last	Chg.	Adv.	Chg.	Stk.	High	Low	Last	Chg.
ABC Inc.	0.20	2	202	25	24	+2	Delta	1.20	11	89	43	43	-1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247	245	+1/2	Delta	0.20	42	148	104	104	+1/2	East	0.00	1	100	100	100	100	100	100	100	100	100	100	100
ABC Corp.	0.12	22	308	247																							

2002 年 10 月 10 日

[illegible]

**arsaw.**

[illegible]

## AMERICA

## Dow takes a breather after its record run

## Wall Street

US stocks took a breather after their record breaking run on hopes of an interest rate cut. Prices were muted ahead of the decision from the Federal Open Market Committee, due in the afternoon, and traded within a narrow range, writes Maggie Urry in New York.

By 1 pm the Dow Jones Industrial Average, which rose nearly 110 points over the first two days of the week, was up 2.17 at 5,383.38. The broader indices edged higher, with the Standard & Poor's 500 up 2.80 at 632.95 and the American Stock Exchange composite up 0.62 to 551.58. The Nasdaq composite rose 3.02 to 1,064.32. Volume on the NYSE came to 259m shares.

Stocks had little lead from the bond market, which was quietly firmer ahead of the interest rate decision, aided by suggestions that inflation remained under control and that economic activity was weakening.

Cyclical stocks underperformed others, as a slowing economy would affect their profits. Within the Dow's 30 shares, Caterpillar fell 3/4 to \$63.40, Goodyear Tire and Rubber \$1 to \$44.75 and International Paper \$1 to \$40.00.

Earnings reports gave the market some impetus. Ford Motor beat expectations with fourth-quarter earnings per share of 49 cents, compared

with forecasts of 21 cents. The stock rose at first but slipped later to show a loss of 3/4 to \$29.40; Chrysler and General Motors also fell, the latter retracing some of its \$1.14 rise on Tuesday when it reported strong fourth-quarter earnings. Chrysler shed 3/4 to \$57.40 and GM 3/4 to \$52.70.

Philip Morris, the tobacco and food group, pleased the market with fourth-quarter earnings per share slightly above forecast. Its shares rose 3/4 to \$56.75.

Kimberly-Clark, the paper maker which recently acquired rival Scott, reported earnings below forecasts. That initially hit the shares, which fell 3/4 to \$76. However, they recovered sharply as analysts looked behind the headline figures, to show a net gain on the day of \$1 to \$50.75.

Also disappointing was Bethlehem Steel, which as well as producing fourth quarter earnings below forecasts was cautious for the first quarter of the current year, saying price increases would not take effect until the second quarter. The shares dipped 3/4 to \$15.

Corning shares were active on hopes that the diversified manufacturer might raise \$1bn by selling its faltering laboratory services division. The shares rose 3/4 to \$32.14.

Topping the active share list was Hanson ADRs, following the Anglo-American group's decision to break itself into four new companies. The ADRs

relinquished 3/4 at \$15.74.

## Canada

Toronto was weak in mid-session, awaiting news on the direction of US interest rates. The TSE-300 composite index was down 28.33 by noon at 4,939.54, after Tuesday's record close, in volume of 50.3m shares.

Nova, the energy giant, gave up an early advance to trade C\$4 softer at C\$124.

Corel picked up C\$4 to C\$144 after the company acquired the WordPerfect word processor and related software from Novell.

## SOUTH AFRICA

Johannesburg was under pressure as profit-takers returned with a resurgence to the industrial market and bullion's undecided mood made for nervous trading in gold.

The overall index fell 60.1 to 8,870.1, industrials shed 69.5 to 8,589.3 and golds dipped 32.8 to 1,688.1.

Analysts said that the market had begun to stabilise in late trade, after its intra-day correction which was sparked in part by growing uncertainty about the possibility of a rate cut in the first half of the year.

Dealers said that cyclical shares had been responsible for most of the day's activity with Iscor, the biggest loser among blue chips, falling 25 cents or 7.3 per cent to R3.21.

## EUROPE

## January ends with new Frankfurt peak

Another aggressive repo rate cut, 15 basis points, saw FRANKFURT set an emphatic new high on the session. It closed official business with the Dax at 2,470.14, wobbled in the afternoon as the dollar, bonds and the Dow moved against it, and ended its trading with a 5.91 gain at 2,463.00.

Turnover rose from DM11.1bn to DM12.4bn. Deutscher, Deutsche Bank and Siemens traded in DM4.4bn between them. Mr Eckhard Frahm at March Finck in Düsseldorf calculated that the official close left the Dax up 9.6 per cent on the month, compared with a 7 per cent gain for the whole of 1995.

The market, said Mr Frahm, was being driven by the dollar and corporate restructuring prospects, as well as by liquidity and the interest rate environment. DAX 30 earnings per share were expected to rise by 30 per cent this year, and by 13 per cent in 1997, and dollar-related stocks dominated the best Dax performers in January, led by Continental, Bayer and BMW, up 21.5, 17.6 and 15.1 per cent respectively.

Lufthansa rose another DM5.50 yesterday to DM223.90; the flag airline told a German business magazine on Sunday that it could treble its earnings by the year 2000. SAP profits

dropped DM9.70 or 4.3 per cent to DM217.50 after a 44 per cent rise in 1995 earnings, and confident predictions for 1996.

PARIS, down at one point, rose for the sixth consecutive session on late foreign buying. The CAC-40 index ending 17.90 higher at 2,021.03, with turnover inflated to FF77.23bn by equity-related arbitrage.

Stocks which got a poor early reception improved. Bouygues, after its news of heavy provisions against the 1995 accounts, fell to FF62.50 before closing a net FF15 down at FF517. L'Oréal, relatively flat in its initial reaction to higher turnover and profits for 1995, ended FF19 ahead at FF144.

Meanwhile, Rhône-Poulenc, the chemicals and pharmaceuticals group, outdistanced most blue chips with a gain of FF4 at FF119, on higher earnings and plans to sell FF10m of assets to reduce debt.

MILAN built up its hopes for an imminent solution to the government crisis. The Comit index rose 2.17 to 619.94, while the real-time Mibtel index was 82 higher at 9,923.

Set forged ahead 1.24 to 14,971 after newspaper reports that the group's assets might be sold in tranches, although many analysts were sceptical about the practicalities of such

## FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Jan 31	Feb 1	Feb 2	Feb 3	Feb 4	Feb 5	Feb 6	Feb 7	Feb 8	Feb 9
Heavy changes		Open	High	Low	Close	Open	High	Low	Close	Open	High
FT-SE 100	1563.12	1563.12	1562.42	1562.27	1561.50	1561.18	1560.40	1559.54	1558.54	1557.54	1556.54
FT-SE 200	1086.62	1086.62	1086.40	1086.33	1086.33	1086.18	1085.54	1084.86	1083.10	1082.00	1081.00
New 1000 (1995)		1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12
FT-SE 100	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12
FT-SE 200	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62
New 1000 (1995)		1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12

## THE EUROPEAN SERIES

		Jan 31	Feb 1	Feb 2	Feb 3	Feb 4	Feb 5	Feb 6	Feb 7	Feb 8	Feb 9
FT-SE 100	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12
FT-SE 200	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62	1086.62
New 1000 (1995)		1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12	1563.12

an operation. Fiat was weak after its recent report, awaiting Mr Gianni Agnelli's last annual letter to shareholders as chairman, which came after the market closed. The shares fell 1.65 to L6.334. Mr Nicholas Potter at Credito Italiano International described the 1995 results as "acceptable but nothing special", adding that the company was capable of significantly more.

ZURICH continued higher, supported by a steady dollar, but activity was thin as many investors awaited the outcome of the FOMC meeting. The SMI index rose 11.9 to 3,243.7.

Bank Leasing, which released 1995 figures, picked up SFR30 to SFR1,260. Registered shares in Elco Looser, the heating equipment manufacturer, which closed at SFR491 on Tuesday, were suspended throughout yesterday's session ahead of the SFR356 a share bid from

Preussag, the German engineering group.

MADRID featured a near 8 per cent gain in Repsol, up Pta125 at Pta4,390, on signs that the latest privatisation offer was being well absorbed. The general index rose 27.40 to 3,734.49. BRUSSELS liked a 1.5 basis-point cut in the Belgian National Bank's central rate, and the Bel-20 index put on 14.56 at 1,690.23.

Foresters, with sector indices up 2.7 and 2.3 per cent respectively, lifted HELSINKI, where the Hex index rose 12.50 to 1,752.41, and STOCKHOLM, where the Allshare index closed 16.1 better at 1,755.1. However, the Swedes also enjoyed a 1.6 per cent lift in the drug sector, where Astra rose SEK5 to SEK232, and Pharmacia & Upjohn also by SEK5 to SEK282.50, after overnight sector gains in the US.

ISTANBUL leapt 6.9 per cent as Turkey and Greece withdrew from a disputed rocky outcrop in the Aegean Sea after a tense stand-off on Tuesday. The MKB-100 index gained 3,310 at 49,489.5. Analysts noted, however, that the market remained sensitive to domestic politics over efforts to form a coalition government after the inconclusive December elections.

ATHENS also reacted to the devaluation of the drachma, with a 1.6 per cent rise. The general index moved up 35.08 to 989.65.

WARSAW picked up 2.4 per cent, taking the month's advance to 30 per cent and the market to a 52-week high. The WIG index rose 241.6 to 10,413.1 on hopes that the year's second interest rate cut could come as soon as February.

ANIMEX, the food processor, jumped 2.70 points to 29.80 on news that it would receive a 19m-shily refund after paying too much tax in 1990.

BUDAPEST was higher for the 15th successive session and the Budapest index climbed 65.26 to 2,068.06. Bearer shares in Agripex, the agricultural trading company, soared FTL500 to FTL3,000 as the group established a subsidiary intended to capitalise its trading activity.

Written and edited by William Cochrane and Michael Morgan

## ASIA PACIFIC

## Nikkei at 17-month high on foreign demand

## Tokyo

Japanese equities saw broad, active foreign buying on mounting hopes of economic recovery and following another record breaking Wall Street advance. The Nikkei average closed at a 17-month high, writes Emilio Terazono in Tokyo.

The 225 index was up 80.30 to 20,812.74 after moving between 20,786.89 and 21,021.83, topping 21,000 briefly for the first time since June 1984, on purchases of cyclical stocks such as steel and shipbuilders.

Volume totalled 731m shares, against 650m. Foreigners and brokers bought large-capital cyclical, while individual investors traded speculative favourites. But domestic institutions remained on the selling side. The Topix index of all first section stocks rose 14.97 to 1,613.11 and the Nikkei 300 by 3.20 to 3,017.9. Advances led declines by 727 to 342, with 145 issues unchanged.

In London the ISE/Nikkei 60 index gained 1.31 at 1,413.35. Investor confidence was also boosted by the yen's decline against the dollar. On the economic front, following Monday's rise in industrial production, the Economic Planning Agency's Tuesday report of the diffusion index of leading economic indicators in November stayed above the boom-or-bust level of 50 per cent for the second consecutive month.

NKK, the steelmaker, was the most active issue of the day, gaining Y8 at Y306. Investors were encouraged by NKK's restructuring of its leasing subsidiary and the stock was supported by foreign and domestic institutional buying. Other steel issues were also firm, Kawasaki Steel rising Y14 to Y379 and Sumitomo Metal Industries Y10 to Y349.

The dollar's rise supported shipping companies, which conduct their business in the US currency. Shows Line moved ahead Y11 to Y238 and Mitsui OSE Lines Y10 to Y382. Brokers gained ground on expectations of higher earnings due to the recent rise in stock

market activity. Nomura Securities put on Y30 at Y2,320 and Daiwa Securities Y50 at Y1,600.

Speculative shares were mixed. Announcements by the Tokyo and Osaka stock exchanges of restrictions on margin trading in Daiichi Steel Sheet prompted profit-taking in some issues. Daiichi fell Y40 to Y2,150 and Kyokuyo inched down Y1 to Y949. However, Toho Zinc climbed Y27 to Y800.

In Osaka, the OSE average moved up 22.71 to 2,331.66 in volume of 149.5m shares.

## Roundup

The region's biggest markets, especially in Hong Kong, however, gave up part of its sharp early gains as speculation grew that there could be a spate of covered warrant issues. The Hang Seng index still ended 158.24 or 1.4 per cent ahead at 11,359.70, after a day's high of 11,411.14, in turnover that swelled to HK\$9.1bn.

SYDNEY offered better than expected December current account data and a subsequent rally in bonds as the domestic ingredients as the All Ordinaries index advanced 22.7 to 2,698.5 in turnover of A\$670.1m.

WELLINGTON's market leaders, Telecom and Carter Holt, both closed 11 cents up at NZ\$6.45 and NZ\$3.17 respectively. The NZSE-50 index rose 29.09 to 2,114.65 in good volume of NZ\$35m.

SINGAPORE finished higher on foreign institutional interest in blue chips, with particularly strong gains in property and banking, and on some light accumulation in recent underperformers. The Straits Times Industrial index put on 25.47 at 2,449.15.

BOMBAY was higher on further foreign demand, with investors apparently shrugging off the sliding rupee, which fell to an all-time low against the dollar in intra-day trading. The BSE-30 composite index gained 31.99 at 2,591.84.

JAKARTA rose in anticipation of lower US interest rates, the JSE composite index gaining 9.38 or 1.65 per cent at 578.56, with liquid, heavy-weight stocks prominent among the winners. BANGKOK registered a six-month peak, also in busy trade, the SET index closing 16.98 up at 4,765.40.

By segment of activity, Group sales developed as follows:

LVMH  
MOËT HENNESSY • LOUIS VUITTON

## REPORTS 1995 SALES OF FRF 30 BILLION

In 1995, the LVMH Moët Hennessy Louis Vuitton Group recorded preliminary consolidated net sales of FRF 29.8 billion, an increase of 6.4 % over the 1994 level.

On a constant currency basis, 1995 sales increased by 11.7 %.

The major highlights of 1995 were:

- growth in sales volume in all our segments of activity, with higher increases recorded in luxury products than in wines and spirits;
- sharp sales increases in certain countries, notably the US, China and the UK;
- market share gains in all our activities;
- an active brand management strategy and successful new product launches both in wines and spirits and in perfumes, notably with Dolce Vita at Parfums Christian Dior;
- strengthened brand portfolio with the acquisition of the jeweller and watchmaker Fred;
- a further sharp decline in financial expenses.

By segment of activity, Group sales developed as follows:

In FRF million	1994	1995
Champagne and wines	5,712	5,830
Cognac and Spirits	5,987	5,275
Luggage and leather goods	6,716	7,408
Perfumes and beauty products	7,688	9,288
Other activities	1,866	1,985
LVMH	27,967	29,764

These performances were achieved despite difficult circumstances characterized by slower economic growth in most of the Group's major markets, the declining exchange rates of major currencies against the French franc, and strikes in France towards the end of the year.

Apart from lower currencies and the slowdown in economic growth two other external factors had a negative impact on the Group's 1995 profits:

- the lower profit forecast by Guinness, the British drinks group in which LVMH holds a 20 % interest, following the announcement of a series of restructuring measures which will impact its 1995 results;
- the announced rise in French corporate tax rates, which will increase the Group's tax burden.

Despite these factors, LVMH anticipates that its net income will be up by about 10 % in 1995.

In 1996, in an uncertain economic and monetary environment - with a rising US dollar and a still fragile recovery in Japan -, the LVMH Group will continue to build on its existing strengths:

- the appeal of its brands will be enhanced, through improved advertising, further new store openings, and a continuing commitment to the highest quality standards;
- new markets will be developed: in Southeast Asian countries such as Vietnam and Latin American countries such as Brazil, the Group will increase its distribution capacity;
- new products will be launched, notably in the perfumes and beauty products segment where Guerlain, Givenchy and Kenzo all plan introductions in 1996;
- the new organizational structure of the wines and spirits segment and the recently developed regional structures will yield new synergies in distribution.

External growth should also contribute to the Group's performance; in particular, the planned acquisitions of Céline and Loewe should soon be finalized.

Taking into account the Group's environment in the foreseeable future and its growth potential, LVMH has set as its objective a further increase in profits in 1996.

The LVMH Group's full results for 1995 will be released on March 21, 1996.

LVMH, THE WORLD'S LEADING LUXURY PRODUCTS GROUP

## São Paulo mixed at midday

São Paulo was mixed in midday trade as investors digested the lowering of Brazil's real currency foreign exchange band. The Bovespa index, which jumped 4 per cent on Tuesday, was 28 points higher at 51,383. Analysts noted that although the change was seen as positive, foreign investors, in particular, might need some time to understand that the central bank move did not have immediate implications for the country's foreign exchange policy.

BUEENOS AIRES was slightly weaker, although analysts noted that investors had

largely shrugged off news of a sharp drop in industrial output. The Merval index had slipped 1.14 points to 582.78 in early trade.

Dealers also noted that the market was holding fire, awaiting the US Federal Open Market Committee's decision on whether to lower short-term interest rates.

CARACAS equity and Brady bond prices were lower in midday trade as the market continued to adjust to new Brady bond trading rules. The 19-94s 10C index was standing 18.71 easier at 2,044.48.

## EMERGING MARKETS: IPC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms			Local currency terms		
		Jan. 28	% Change	Jan. 28	% Change	Jan. 28	% Change
		1995	over week	1995	over week	1995	over week
Market	No. of stocks						
Latin America	(848)	510.86	+0.3	540,244.42	+0.9		
Argentina	(31)	380.80	+2.0				
Brazil	(98)	340.18	-0.1	1,244.87	+0.5		
Chile	(43)	719.82	-3.7	1,191.49	-3.9		
Colombia	(15)	560.01	-0.7	1,018.66	-0.1		
Costa Rica	(8)	521.75	+1.1	1,670.50	+1.1		
Ecuador	(21)	203.33	-2.3	230.97	-1.2		
Venezuela	(5)	516.78	+3.8	2,693.27	+3.2		
Asia	(851)	244.08	+0.3				
China	(23)	59.81	-1.8	62.58	-1.7		
South Korea	(148)	121.42	+3.0	125.40	+2.4		
Philippines	(36)	290.49	+3.9	367.29	+3.8		
Taiwan, China	(83)	107.54	-1.7	110.87	-1.5		
India	(78)	72.78	-2.4	82.57	-2.2		
Indonesia	(44)	120.24	+0.4	146.77	+0.8		
Malaysia	(123)	287.80	+0.6	271.04	+0.6		
Pakistan	(25)	254.72	+8.8	411.38	+8.1		
Sri Lanka	(5)	108.43	+0.3	125.20	+0.3		
Thailand	(72)	403.38	-0.1	405.87	+0.1		
Baro/Mid East	(258)	189.06	+0.8				
Greece	(47)	252.49	-1.0	421.82	+0.5		
Hungary	(8)	126.10	+7.4	215.86	+0.0		
Jordan	(8)	182.00	+0.6	271.54	+1.4		
Poland	(22)	640.82	+14.5	868.82	+10.2		
Portugal	(28)	121.59	-0.0	129.99	+1.5		
South Africa	(83)	288.57	+1.8	217.86	+1.9		
Turkey	(54)	130.71	-7.4	3,851.14	-5.8		
Zimbabwe	(5)	290.68	+1.3	402.44	+1.5		
Composite	(1117)	297.40	+0.1				

Indices are calculated at end-week, and weekly changes are percentages movement from the previous Friday. Base data: Dec 1989=100 except those noted. Index uses (1994) 1994; (1995) 1995; (1996) 1996; (1997) 1997; (1998) 1998; (1999) 1999; (2000) 2000; (2001) 2001; (2002) 2002; (2003) 2003; (2004) 2004; (2005) 2005; (2006) 2006; (2007) 2007; (2008) 2008; (2009) 2009; (2010) 2010; (2011) 2011; (2012) 2012; (2013) 2013; (2014) 2014; (2015) 2015; (2016) 2016; (2017) 2017; (2018) 2018; (2019) 2019; (2020) 2020; (2021) 2021; (2022) 2022; (2023) 2023; (2024) 2024; (2025) 2025; (2026) 2026; (2027) 2027; (2028) 2028; (2029) 2029; (2030) 2030; (2031) 2031; (2032

# UK threatens to challenge Iberia subsidy

By Robert Shrimley in London and Emma Tucker in Brussels

The British government last night threatened a European Court challenge to a Commission decision approving a large state subsidy for the Spanish airline Iberia.

Ministers and MPs denounced the ruling by Mr Neil Kinnock, the EU transport commissioner, to approve around Ptas7bn (£713m) aid to the airline as a "depressingly weak decision".

Viscount Goschen, Britain's aviation minister, said he would study the judgment, and added he "certainly

would not rule out" a European Court challenge to the ruling. "We have already shown our resolve," he said in a reference to the pending challenge to Air France's state aid.

British Airways expressed "surprise" but is waiting to read the terms of the agreement before deciding on possible court action.

Mr Kinnock has justified his position by saying the Spanish government's rescue package for the troubled airline should not be categorised as state aid in the traditional sense.

He argued that the sum fell far short of Iberia's original demand for Ptas130bn and that it had already

taken substantial steps to turn itself into a viable enterprise. A further Ptas20bn is available next year if Iberia can demonstrate its viability.

As part of its restructuring, the airline has been forced to sell its 85 per cent stake in the loss-making Aerolineas Argentinas, which had been draining it of about \$900m a year. It has also frozen all salaries and made 3,000 workers redundant.

Mr Kinnock said the new investment could be justified on strict commercial grounds under what is known as the "market investor principle". This allows government investment if the Commission is satisfied a private

investor would have been prepared to act in the same way.

However, Lord Goschen disputed Mr Kinnock's argument saying: "If this was a commercial decision, where were the banks? I can't believe anyone seriously believes Iberia is a sound investment."

He derided the ruling as "depressingly weak", adding: "We have worked so hard to get an open market in aviation and this flies in the face of what we have been doing."

Sir George Young, the transport secretary, said the former Labour party leader's decision could "undermine all our efforts to establish fair

competition in the community aviation market".

Tory MPs were even more furious. Mr Neil Hamilton, former industry minister and a leading Eurosceptic, described the decision as "another Brussels subsidised attack on Britain's efficient private enterprise airlines".

"The British government should bang the table and complain at this unfair competition undermining British Airways and other efficient British private sector companies, so that loss-making state airlines throughout Europe can be subsidised, sometimes through the back door," he said.

# Computer delay hits air traffic control complex

By Michael Cassell, Business Correspondent

The opening of Europe's largest air traffic control centre at Swanwick, near Fareham in Hampshire, has been postponed for a year because of serious problems in installing computer software systems.

The £350m (\$528m) development, to take responsibility for all air traffic control in England and Wales, was due to open in December this year but will not now become operational until December 1997.

Mr Derek McLaughlin, chief executive of National Air Traffic Services, the air traffic control arm of the Civil Aviation Authority, said he was disappointed by the delay but that there was "no question of introducing any new system unless it is absolutely safe".

The IPMS union, which represents 3,500 UK air traffic controllers, said the delay was "regrettable" but that safety was of paramount importance to its members.

Building work on the centre was completed in 1993 and it is understood that the problems - in attempts to install and integrate 3m lines of software

- began to emerge towards the end of last year. A NATS spokeswoman said the contractors handling the installation, a consortium led by Lorat Systems of the US and also including Siemens Plessey and Frequentis, had "run into snags with an extraordinarily complex task". When it was announced in 1992, the contract was valued at £130m.

Swanwick will take over from the London Area and Terminal Control Centre at West Drayton in Middlesex and will be among the world's largest air traffic control complexes.

The investment by the NATS forms part of a planned £600m programme to concentrate its operations at Swanwick and at Prestwick in Scotland, which is scheduled to begin operating at the start of the next decade.

Last year, the government said the planned £200m Prestwick centre, to handle traffic over Scotland and the north-eastern Atlantic, would have to be built, equipped and owned by a consortium of private sector companies. But the CAA said the government's private finance initiative was an inappropriate way of funding air traffic control investment.

## UK NEWS DIGEST

### Unions urge preparation for monetary union

Britain's Trades Union Congress is proposing a joint campaign with the Bank of England and the Confederation of British Industry to establish a national consensus on preparations for possible participation in European Economic and Monetary Union.

Senior union leaders believe the UK cannot afford to stand aside from Emu in the hope that it will never happen, or that it will quickly fail. They will propose shortly that Mr John Monks, the TUC general secretary, Mr Eddie George, the governor of the Bank of England and Mr Adair Turner, the director-general of the CBI, join a task force to examine all the UK's options.

Union leaders are convinced that the Euro would help to prevent currency speculation and assist collective bargaining across the EU's labour markets.

Union leaders also believe the UK would face the danger of isolation if it decides to stay outside a common currency area. They argue that the UK committed itself at the EU Council in Madrid in December to accept a high degree of monetary convergence, whether it joins Emu or not.

However, the TUC is pressing for a commitment to full employment to be written into the new EU treaty that will emerge from this year's intergovernmental conference.

Robert Taylor, Employment Editor

### Short-term contracts take hold

Workers employed on short-term contracts to meet sudden increases in demand are becoming an important part of UK industry as Japanese-style manufacturing techniques spread.

A Financial Times study has revealed a 87.5 per cent increase in five years in the numbers of manufacturing employees on temporary contracts. These can be for as little as one day, though typically last from three to six months.

The use of such workers has become critical to many manufacturers, which are switching to just-in-time working practices, in which stocks are minimised and companies turn out goods quickly to fill orders.

Several companies - including the UK divisions of Black & Decker and Procter & Gamble - say temporary production workers have helped them improve competitiveness, especially in continental Europe.

Peter Marsh, London

### Insurers back quake coverage

London-based insurers, including Lloyd's, are providing a substantial chunk of reinsurance coverage for the California Earthquake Authority, a state-sponsored body set up to protect homeowners against a large-scale catastrophe.

Lloyd's non-marine insurers are providing some \$94m in capacity, and other London insurers are underwriting a further \$71m of cover. The contributions are part of \$2bn in cover being sort as part of a complex \$10.5bn reinsurance programme, providing different amounts of cover according to the severity of any incident. Mr David Rowland, Lloyd's chairman, recently met the project's instigator, Mr Chuck Quackenbush, the California insurance commissioner. Yesterday Mr Rowland said: "The market continues to be a world leader when it comes to finding solutions in some of the most difficult areas."

Ralph Atkins, Insurance Correspondent

### Overseas sales shown declining

Fresh signs that export growth is weakening after the surges seen earlier in the recovery emerged yesterday in a business survey. A report by DHL, the express package service, and Gallup, the polling organisation, found that the proportion of companies reporting strong overseas sales fell slightly in the last quarter. Of the 1,000 companies surveyed at the end of 1995 only 54 per cent said that export expectations for the next three months were "good" or "excellent". Although this level is relatively healthy, it is the lowest since the end of 1993.

Gillian Tett, Economics Staff

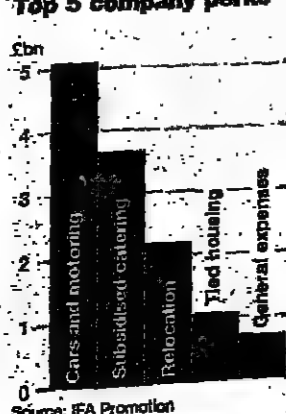
### Panasonic to create 100 jobs

Panasonic UK is to invest £40m (\$60.4m) in a new semi-automated warehouse in Northampton, creating about 100 jobs. The company, a member of the Japanese Matsushita group, will buy 52 acres of an existing distribution estate shared with Coca Cola, GE Lighting and Black & Decker. The new warehouse will occupy 17 acres and the remainder will be available for expansion. Mr Michael Brooke, managing director of Panasonic Logistics, said that the warehouse would serve Panasonic's distribution needs in the south and Midlands from July next year.

Alan Cane, London

### Cars 'most popular perk'

Top 5 company perks



Source: IFA Promotion

doubled in the past 10 years.

### Contracts

**COMPUTERS:** Hoskyns, UK subsidiary of the French-based computer services CGS group, has won a £2m (\$3.02m) contract to provide new logistics and financial systems to MoDo, the paper manufacturer and distributor at its West Byfleet headquarters.

**ADVERTISING:** M&C Saatchi, Mr Maurice Saatchi's breakaway advertising agency, has been appointed by The Asprey Group, the luxury goods company, to take charge of its advertising. The total communications budget will be about £8m (\$9.06m).

## Tradepoint in Bloomberg link-up

By Norma Cohen

Tradepoint Investment Exchange, the rival to the London Stock Exchange, said yesterday that it has signed an agreement with data and information provider Bloomberg which will allow those using Bloomberg's 55,000 terminals worldwide to execute trades in UK shares.

This means that traders and investors with Bloomberg screens can obtain direct access to the London market, bypassing intermediaries. About half of Bloomberg's screens are based in the US market, where users prefer the type of dealing system used by

Tradepoint to the quote-driven system operated by the London Stock Exchange. Bloomberg also has a significant presence in the Asian markets.

"That means we are getting global reach at no cost to ourselves," said Mr Stephen Wilson, Tradepoint's executive director. "There is no way we could build that global reach ourselves," he said.

Already, Mr Wilson said, Tradepoint's volumes are rising by about 20 per cent each month. The number of trades in January rose to 350 from 110 in October and by volume, turnover last month totalled £30m (\$45.3m), up from £9m in October.

While the volumes remain minuscule relative to London stock exchange total turnover, Mr Wilson said the trend is indicative of users' growing comfort with the system.

For Bloomberg, which has agreed to invest in software for the venture, the move opens up the system to data from an alternative source. Mr Michael Bloomberg has so far largely resisted pressure from some subscribers to "open" the system so that competitors' data can be fed into Bloomberg screens and integrated into its analytic packages.

Tradepoint opened for business last October and offers an order-matching facility in

which buyers and sellers advertise firm prices at which they are prepared to deal in set lots of shares and dealing is conducted electronically. It is an alternative to the London Stock Exchange's quote-driven system on which market makers quote prices at which they will buy or sell large blocks of shares and investors negotiate deals by phone.

However, many investors - particularly foreign investors - have complained that trading costs in the UK are too high. The London stock exchange is currently considering how to expand its dealing system to include some order-matching capacity.

No man has ever lost his way by keeping to the straight and narrow.

Goethe

Why is Lyonnaise des Eaux successful

throughout the world?

Our professional competence. The quality

of service we provide to our customers.

The assertion of our rules of conduct.

These are the foundations of trust.

Trust: let's talk about it!

In many countries today,

companies entering into

major contracts or new

strategic alliances are ex-

pected not only to prove

their technical expertise

but also to present their

For the world to be exemplary we have to start with ourselves.

10% of its sales outside its domestic

market. Today, that figure is 43% and,

for the Group's Degrémont and Dumez-

GTM units, it is as high as 60%.

We work in over a hun-

dred different countries.

Lyonnaise des Eaux is a

world leader in the water

segment, and through

our GTM-Entrepose sub-

sidiary, we are a major

construction contractor.

Overall, we are one of the

most international French

world, even in some of the most deman-

ding countries, from Australia to the USA.

Recent examples of trust?

The contract to provide water services to

Greater Buenos Aires was awarded to

Lyonnaise des Eaux after an intensive

international competition. This project

has the support of the World Bank and

is now widely considered to be a model

achievement in the water industry. We

have also signed a multi-project agreement

with the EBRD to develop services and

infrastructure in Central and Eastern

Europe. And, last December, our takeover

bid for the key British water company,

Northern Water, was approved by

British authorities.

This is what we are implementing. This is

how we are striving to make our Group

exemplary. This is how we give pride to

our 140,000 staff members. This is how

we gain the trust of our shareholders

and our customers.

Annual report and Code of ethics available

on request: fax (33) 1 46 93 55 84.



72 avenue de la Libération 92753 Nanterre, France

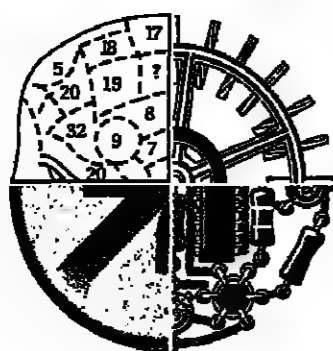
For more than a century, Lyonnaise des Eaux has provided its expertise in environmental services - water supply, distribution and treatment, waste management, energy supply - and in the construction field. The Group operates in more than a hundred countries worldwide and in 1994 generated \$20 billion in revenues.





## TECHNOLOGY

## Worth Watching · Vanessa Houlder



## New colour for fire-free resin

Plastics made of phenolic resins have superb fire retardant qualities. The drawback has been the difficulty of disguising their unattractive sludge brown colour without compromising performance.

BP Chemicals has developed a method of colouring phenolic resins which it believes will open up many new applications. Its Cellobond Fibre Reinforced Plastic Colour is already being used for moulded panels on new London Underground trains. In fire tests it outperformed other matrix resins.

BP Chemicals, UK, tel (0)1446 731000; fax (0)1446 731245.

## Tourist spots shoot own holiday snaps

The holiday photos sold at tourist spots are going digital. Kodak is marketing a photo print system to the owners and operators of tourist attractions.

The system uses no chemicals. It has a digital camera to shoot the picture, a touch-screen monitor to preview the image on screen and a printer. The purchases can make corrections to the colour and contrast before printing out the picture.

The system, which takes up to 60 pictures and 34 images over an hour, costs £15,995 plus VAT. Kodak: UK, tel (0)1442 61122; fax (0)1442 345113.

## Suspect parcels kept in safe boxes

The delivery of a suspicious-looking parcel can cause enormous disruption to an organisation, even if it eventually proves to be entirely innocent.

Aigis, a Derby-based company that specialises in blast protection equipment, has designed a "suspect device isolation unit" -

a safe-like box into which the suspect package can be locked and moved elsewhere to be examined or defused.

If the bomb explodes, the device greatly reduces the force of the blast. The box is lined with a porous, resin-bonded aggregate material which inhibits the passage of the shock wave by breaking down as it absorbs some of the blast energy.

The material is also used to protect off-road vehicles and trucks against landmines and to protect rooms containing sensitive apparatus such as computers against explosions.

Aigis: UK, tel (0)1335 370960; fax (0)1335 370947.

## Best drug cocktail yet for fighting HIV

Researchers from Merck, the US pharmaceutical company, have released encouraging evidence for the effectiveness of triple drug combinations in fighting HIV, the Aids virus, writes *Clive Cookson*.

A mixture of two licensed Aids medicines from Glaxo Wellcome of the UK - AZT and 3TC - with Merck's experimental drug, indinavir, reduced levels of HIV to undetectable levels after four months treatment, in 24 out of 28 patients studied. Other combinations achieved good but less spectacular results.

Yesterday Merck applied to the US Food & Drug Administration for a drug licence for indinavir. It is likely to be the second of a new class of Aids drugs called protease inhibitors to reach the market. The first, Roche's zalcitabine, was approved in the autumn.

Merck: US, tel 215 633 5000.

## Hot moulding for thermoplastics

German researchers have developed a "hot moulding" technique for moulding thermoplastics, which they believe is simpler and cheaper than injection moulding.

The technique involves mixing ceramic powder with waxes and paraffins that melt at low temperatures. It is then warmed slightly and pressed into the mould at low pressure. After it has hardened, the binding agent is removed by evaporation. It is then fired at high temperatures.

Fraser Institute for Ceramic Technologies: Germany, tel 3512555530; fax 3512555560.

"I love my Mac," says Melanie King, a Silicon Valley software industry executive. "God, I hope that Apple survives!" Amid reports of Apple Computer's mounting problems and a possible takeover bid for the personal computer industry pioneer, King frets about what all this may mean for her "cool" Macintosh computer.

Her concerns are common among Macintosh users. Apple boasts the most loyal customers in the personal computer industry, but their faith is being put to the test by the uncertainties surrounding the company's future.

"Will the Macintosh be orphaned," they ask. In online discussion groups Mac fans express their fears of an Apple takeover. "It just would not be Apple," says one. "I think Sun [Microsystems] would ditch the Mac," warns another in response to reports that the computer workstation manufacturer is in talks with Apple. Then comes the critical question: "Given all of the uncertainties, should I buy a new Macintosh?"

For computer buyers in search of a bargain, the answer may be yes. Apple's lower than expected sales in the quarter leading up to Christmas have left the company with \$1.9bn (£1.2bn) of stocks, much of it in low-end Macintosh PCs which are now expected to be offered at steeply discounted prices.

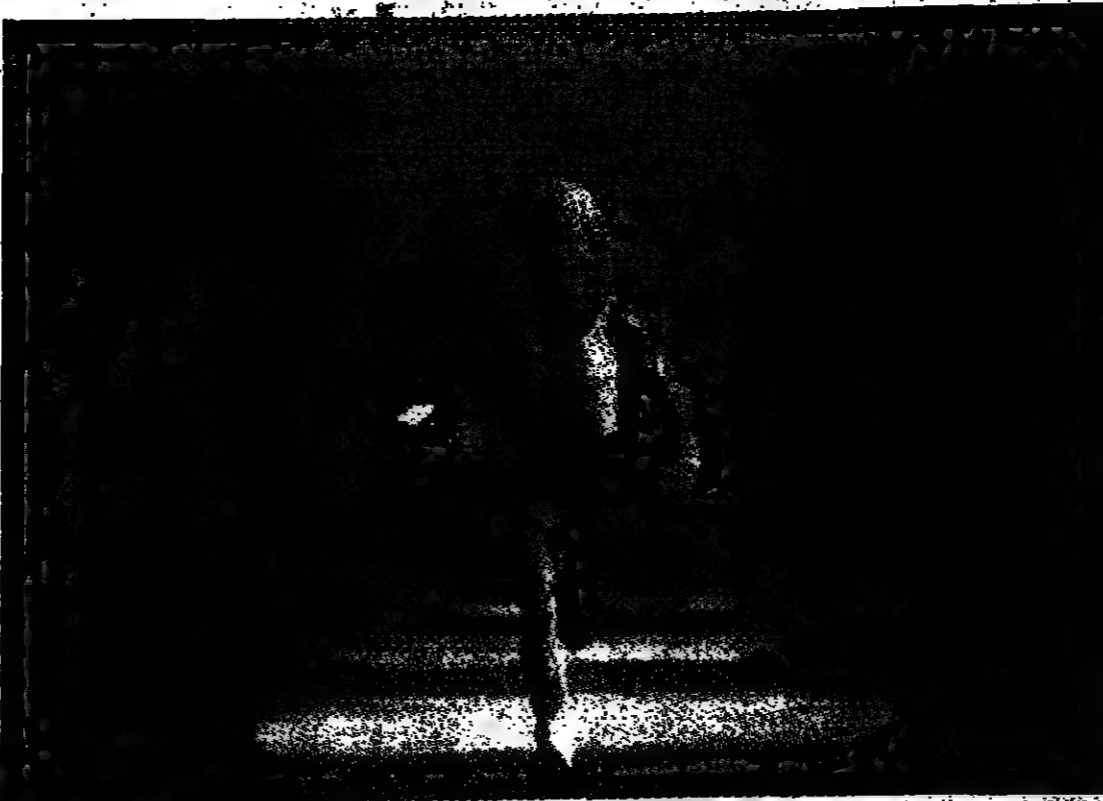
Apple's widely acclaimed Macintosh software, the company's reputation for quality products, and the prospects of price cuts make the Apple Macintosh an attractive purchase. But will Apple customers be able to obtain service, parts and software for a Macintosh computer they buy today if the company falters?

Despite all of its problems, Apple is not going to disappear overnight. The company remains the world's third largest PC manufacturer, after Compaq Computer and International Business Machines, with sales of \$11.1bn in its last fiscal year, ended September 30.

Moreover, with close to 22m Macintosh users worldwide and thousands of Macintosh retailers and consultants, it is highly unlikely that Apple will leave its customers without technical support or service, analysts say.

"The risk of Apple going out of business and leaving no one to support its products is almost zero," says Peter Hartsook, editor of the Hartsook Letter, a computer industry newsletter.

Even if Apple is acquired by another computer company, the chances of today's Macintosh users being abandoned are remote. Apple's most valuable asset is its brand name - it is the most widely recognised PC manufacturer worldwide - so any buyer of the company can be expected to defend Apple's



Below: a 1984 ad for the Macintosh, which has now gained close to 22m users and thousands of retailers and consultants.

## Will Mac be orphaned?

Apple has the most loyal customers in the industry, says Louise Kehoe, but its future is uncertain

reputation among its customers, if only to preserve the value of its investment.

However, the continuing support of the Macintosh by software applications developers is less certain. Apple claims there are 1,400 "native" applications programs available for its latest Power Macintosh models, based on the PowerPC microprocessor chip jointly developed by Apple, Motorola and IBM.

Many more Macintosh application programs are under development, Apple says. Increasingly, however, software developers are giving priority to programs for standard PCs based on Intel microprocessor chips and Microsoft's Windows PC operating system software which account for more than 90 per cent of world sales.

One of Apple's biggest challenges now is to maintain the support of these software developers. Without them, the Macintosh could become the PC industry's equivalent of a

Betamax. Sony's "non-standard" video tape player for which the supply of new recordings ran dry.

Corporate and college buyers of the Apple Macintosh face greater risks. Many have invested heavily in special purpose software for the computers. Others have installed computer networks to link desktop Apple products.

The Gartner Group, a US market research firm, has recommended that its corporate clients "buy with caution" if they already own Macintosh computers. However, new Macintosh buyers should evaluate purchases carefully, industry analysts say.

Already, however, there are signs that some of Apple's customers are switching to competing products. "We have picked up some Apple defectors," says Ted White, chairman and chief executive of Gateway 2000, the fifth largest US PC manufacturer.

Large Macintosh orders from at least two US school districts have been put on hold, competitors say. In Europe, similarly, Apple's corporate sales are believed to have slowed over the past few days.

Meanwhile Apple's efforts to stem the tide are tinged with irony. In his open letter to Apple customers, published in several newspapers, Michael Spindler, chief executive, invokes an old Apple theme: "Apple Forever".

Long-time Apple observers may recall, however, similar incantations when the old Apple II product line was being phased out a decade ago. At that time Apple adopted the motto "Apple II forever" to reassure users that the Macintosh would not make their computers obsolete.

The Apple II is long since gone and so is much of the euphoria that surrounded the launch of Apple's Macintosh in 1984. Nothing, it seems, is forever, perhaps not even Apple Computer.

## Solar polar study

Later this month the Western Space and Missile Centre in California will launch a mission to study the hottest and windiest layer of the earth's atmosphere.

For three years, the US Polar satellite will study the polar wind - the high energy particles emitted by the sun - above the polar regions in the upper atmosphere. The spacecraft will travel in an orbit between 11,000km and 57,000km from the earth's surface, through temperatures of up to 2,000°C and through wind speeds that can exceed hundreds of metres per second.

Scientists hope this work will produce new insights into solar storms, which release particles and radiation that bombard the earth. These storms create the auroras of light known as the Northern and Southern lights, cause damage to the electronics on spacecraft and can disrupt radio communications and power supplies on earth. In 1989, for example, fluctuating magnetic fields caused by an explosion on the sun blacked out power across Quebec.

The instruments on the spacecraft will allow scientists to determine which of the energetic particles are part of the solar wind and which originate in the earth's ionosphere. The instruments can distinguish oxygen ions from the solar wind since they are much more highly charged than the ions produced in the ionosphere.

The results of the Polar mission will be compared with results from the European Space Agency's four Cluster spacecraft (which will be launched this summer) and with ground-based observations made by the British Antarctic Survey. The survey is currently setting up instruments in Antarctica that will take continuous measurements to complement those of the Polar satellite.

The Polar satellite is part of the International Solar-Terrestrial Physics programme which is investigating how the sun and earth interact.

Vanessa Houlder

This announcement appears as a matter of record only

Omnium Genève S. A.

has sold

AB Anker Bank GmbH

to

Türk Boston Bank A. S.

The undersigned acted as exclusive  
adviser to Omnium Genève S. A.

DEUTSCHE HANDELSBANK AG  
CREDIT LYONNAIS GROUP

January 1996

GUESS WHAT 300,000 INFLUENTIAL RUSSIANS  
GET UP TO EVERY FRIDAY.

They bury themselves in the Classified Section of their Financial Izvestia.

As well as all the national and international news and the informed comment they find in Tuesday's and Thursday's Financial Izvestia, Friday's pink pages have an added attraction.

They hunt through the Appointments and Real Estate, weigh up Business Opportunities and Franchises, check out Travel and Tourism offers and what's coming up in Conferences and Exhibitions, Education and Executive Courses.

They are business minded people, so where better to talk to them about your business than in Financial Izvestia - their authoritative, Russian language business newspaper.

For more information about advertising in the Classified Section, call Universal Media Ltd. on (+44) 0171 935 2369 or fax (+44) 0171 935 1929.

FT

FINANCIAL TIMES  
GROUP



مركز المعلومات

LES MISÉRABLES (12)  
Claude LelouchKATIA ISMAILOVA (18)  
Valerii TodorovskyFATHER OF THE BRIDE  
PART II (PG)  
Charles Shyer and Nancy Meyers

Claude Lelouch's *Les Misérables* and Valerii Todorovsky's *Katia Ismailova* are both based on texts so regularly adapted before that we marvel there is anything left to adapt. *Les Mis* has been a book, a play, ten movies and a musical. Nikolai Leskov's story *The Lady Macbeth Of The Mzensk District*, which inspired Todorovsky's updated drama of passion and murder, has given us three films and a Shostakovich opera.

In Hollywood they would refer to the two *Mis* and *Misenski*, as "franchises": properties so productive that they spawn sequels and megadollars. Europe usually likes to be above such vulgar thinking, but Lelouch's Victor Hugo transposition, as one discovers over three hours, is not really above anything. The one-time director of *Un Homme Et Une Femme*, which reprocessed the French New Wave into pink-tinted surf for Anouk Aimée and Jean-Louis Trintignant as the slow-motion lovers, turns Hugo's tale into star-packed, passion-packed epic. Proving its transatlantic appeal, the movie won the Golden Globe award for best foreign film.

On this side of the ocean, filmgoers may be more sceptical. Lelouch takes Hugo's Valjean, the convict who trod his life becoming a sinner, and transports him to the 20th century to split him in two. Jean-Paul Belmondo plays Henri Fortin, a man who dies in jail after being interned for a crime he never committed, while Belmondo also plays his son, by turn a boxer, removal driver and soldier of fortune in the second world war.

Fortin junior aids both the Nazis and the Resistance and is on hand to help the Normandy landings. He spends his few peaceful hours reading and re-imagining *Les Mis* - dramatised in gobs by Lelouch with Belmondo tripping as Valjean - while we are invited to note the parallels between then and now. The veteran French star's bruised magnetism and monkeyish grin, swirled about by the music of Francis *Un Homme Et Une Femme* Lelouch, do more than anything give the film weight



Jean-Paul Belmondo (far right), a human force-field in Claude Lelouch's updated version of 'Les Misérables', set in the 20th century

Cinema/Nigel Andrews

## Jump on the classic bandwagon

and depth. He creates a human force-field where none is really provided by the script or direction.

The film's secondary plot concerns a Fortin-assisted Jewish couple (Michel Boujenah, Alessandra Martines) who are harassed and divided by the Nazi persecution. She goes to Auschwitz while he is sheltered by a greedy farming couple, played with pantomime relish by Annie Girardot and Philippe Léotard.

In both cases we suspect that a happy ending will be engineered. For here as in previous Lelouch-works with a sweeping time span - *Toute Une Vie*, *Partir Reverir* - history and suffering end up as little more than different centres in the great chocolate-box assortment of life. However crunchy some scenes or setbacks, the consumer is never in danger of cracking a tooth, let alone a heart.

Lelouch updated the novel, he says, in the belief that the 20th century's "miseries" are a match for

those of the 18th or 19th. No quarrel with that. But even Hugo, with his tendency to favour melodrama over tragedy, never reduced human suffering to quite so relentless a series of picture-pretty tableaux - even Pa Fortin's snowbound jail resembles a Christmas card - and manipulative sentimental ruses.

Katia Ismailova stands back to let passion and murder speak for themselves. The heroine, played as an enigma with variations by the palely beautiful Ingeborga Dapkunaite, causes four deaths among her nearest and dearest. A stroke is assisted by her failure to fetch pills. A violent murder is committed while she stands by and abets. Two deaths by drowning wind up the final reel.

Bravely, the director yields us no ready check-list of her motives and emotions. Does she love her husband (Aleksandr Feklistov)? Does she love or respect his novelist mother (Alisa Freindlikh), whose works she

thumps out on a noisy typewriter? Probably not. Even her romance with the handsome, stubble-jawed carpenter (Vladimir Mashkov) who is working on her mother-in-law's dacha is presented as the exact opposite of "falling in love": more a rising in lust. Inflamed at her work table by his first nuzzling half-kiss, she raises her rapture-stiffened body to sit on the open window sill's edge, where with sharp breath and closed eyes he completes his attentions.

At times the gnostic tone is frustrating. Some emphasis and inflection might have helped, in sharpening the other characters' outlines if not the mysterious Katia's. The film, like the dacha, feels barely furnished. And when Todorovsky throws in some token wreaths of Gothic mist for a midnight burial scene, we giggle at the incongruity. Out of Russian existentialism into Hammer horror? A movie which dares to portray affectlessness should not surrender to cheap effect;

though it might do more elsewhere to find its own metaphorical language for the voids it explores in human feeling.

*Father Of The Bride Part II* ends the week in a blaze of winsome clarity, sans subtitles or subtleties. Steve Martin and Diane Keaton still live in that white house on Wedding Cake Avenue, USA. Daughter Annie (Kimberly Williams), who took so long to get married in part one, takes even longer to have her first child in part two. Keaton herself gets sympathetically pregnant. And that crazy party-catering fellow Frank - pronounced Frank - is still played by Martin Short with buffa accent, bouffant hair and dialogue that it may be a mercy we cannot understand.

We understand everyone else's. It runs to tooth-rotting stuff like "Ohh Momm", "Ohh Daahhh", "Ohh Annie" and "Dr Eisenberg, these women are my life!" (Steve Martin to hospital midwife).

No wonder Martin at another point exclaims, "Hey, what are we, the Schmaltz family?" Yes, in a word. And your adoptive writer-directors Charles Shyer and Nancy Meyers need to spend several months at the de-tosh clinic before giving us the next instalment in this Disney confetti saga.

Chances of brain-survival are brighter at the Barbican or National Film Theatre. The first mounts a season of new Australian cinema, showing that there is more in that country where *The Piano*, *Strictly Ballroom* and *Priscilla Queen Of The Desert* came from. And the NFT launches a welcome, month-long season devoted to women directors. As so much man-directed American cinema is subsiding giggling into the Pacific as we speak, it may be time we gave a bigger chance to talents - on show here - like Kathryn Bigelow (*Strange Days*), Rose Troche (*Go Fish*) and Darnell Martin (*I Like It Like That*).

## Opera

## Samson et Dalila

As the financial cuts bite, the Royal Opera will presumably resort to cancelling new productions. Two have already gone this season, including Massenet's rarely-performed *Hérodiade*, a grand opera that combines sex and religion to sensual music reeking of a perfume that could only be French.

Saint-Saëns's *Samson et Dalila* meets most of that description too, which is probably why it was brought in as the replacement. The biblical setting, sultry Mid-Eastern afternoons where the sun beats down and the air hangs heavy, is very nearly identical - ironic really, as the official reason why the Massenet was cancelled was that the sets from Vienna did not fit. Sidney Nolan's designs for the Saint-Saëns remain both one of the most visually inspiring Royal Opera stagings from the 1960s and the most familiar. Nolan's use of colour is an object-lesson in creating atmosphere from a broad brush-stroke, even if the flooding of the deep red spotlight in this revival rather washes away his subtleties.

The opera depends almost wholly on its leading couple and it helps if Samson can be a tower of strength, metaphorically at least. The Argentinian tenor José Cura threw himself into the scenes of humiliation at the end with reckless abandon and from a distance looks a bit like Sylvester Stallone, so his bare-handed destruction of the temple carried conviction. His voice is bright, strong when needed, well-focused, a promising Italianate tenor which is something better with each role he sings. What it lacks is depth of tone in softer, lyrical passages, though he found one answer to that when he uttered a tenderly muffled "Je t'aime" with his nose buried in Dalila's bosom.

Dolara Zajick, who was announced for the role, has withdrawn due to illness and her place has been taken by the Greek mezzo Markella Hatziano. Deep and dignified of voice, she makes a Dalila who is regally self-composed, confident of getting Samson's locks wound round her little finger. In the first act she gives the impression of keeping a tiger of a voice locked in its cage. In Dalila's big second act she lets it out occasionally to magnificent effect (the sound is grand, unharmed, rich in colour), but still husbands her resources carefully. For all the sense of latent power, there is not much electricity being created inside the character.

There was not much crackle of sexual energy between the two of them in the love duet the conductor, Jacques Delacôte, might have helped by speeding the music along a little. Elsewhere, his elegant blend of orchestral sonorities brings a stylish Gallic input to the performance. Gregory Yurishich delivers the High Priest's curses with unstinting strength. Robert Lloyd brings sensitivity to the French style and language in the role of the old Hebrew. In sum, the revival is good enough for the many empty seats at the first night to be filled later.

Richard Fairman

Further performances until February 15.

## Déjà vu in 'Les Enfants du Paradis'

Should you make a play of a classic film? The Royal Shakespeare Company's new staging of *Les Enfants du Paradis* involves a hefty amount of hubris, for, at almost every moment, it reminds us of the much-loved 1945 French film, directed by Marcel Carné and written by Jacques Prévert. At four hours, this stage version is too long. Some of its casting and staging do not work. Nonetheless, most of the time the play reminds you happily of the film. Better, it probably works delightfully for those who do not know the film. Best, it occasionally exerts a life of its own powerful enough to help even those of us who have seen the film a few times to suspend our memories.

*Les Enfants du Paradis* is the quintessence of high romance. Set in the Paris of 1830-40 that Balzac often penned, it is about the overlapping loves of folk who work in various forms of theatre. Garance - a Bohemian beauty with her own lush sense of honour, very much like Emerald in Hugo's *Notre Dame de Paris* - is loved by four wholly dis-

similar men, two of whom are prepared to kill to remove a rival. Baptiste Dubourau is the lovelorn and transcendently expressive Pierrot who loves her and whom she loves; but fate sunders them, time and again.

Simon Callow, who has adapted and directed this version, quite rightly emphasises its staginess. Stagehands are visible, sometimes manipulating onstage spotlights. Robin Don has designed a hollow three-storey framework - turning and tilting on its raked stage like the revolving set of *Pise* - which is transformed into a theatre, a bedroom, a different theatre, a dressing room, a café... Christopher Woods's costumes exquisitely reproduce the look of each character from the film, and include a thrilling ruby gown which Garance wears on her return to Paris after eight years. Callow's English text is sometimes too prosaic (Frederick's signature line about Paris and lovers is, in French, an *Alexandrine*) and sometimes hammy.

John White has composed some excellent "busy" music for certain

scene-changes, and the Garance-Baptiste affair is characterised by music reminiscent of the best part of the lovers' music in Kachaturian's *Spartacus*. Other passages, however, are anachronistic (a tango in the café) or woefully intrusive.

Three performances are, in contrasting ways, entrancing. Helen McCrory has never been more beautiful than as Garance; and she finds a telling combination of dignity and Bohemian directness. Joseph Fiennes is marvellously theatrical as the sly and sardonic assassin Lacenaire. And James Faulkner as the actor Frederick Lemaitre creates a debonair actorly charm that in no way apes Pierre Brasseur's. The production, by the way, is dedicated by the RSC to the memory of Robert Stephens, "the Frederick Lemaitre of his day".

Who could efface memories of Jean Louis Barrault as Baptiste? Rupert Graves's stubborn and ambitious naughty boy with South London vowels will not do. He has not the high-Romantic intensity of feel-

ing that is Baptiste's. At the end - where in the movie Baptiste seems to die of suffocation and despair amid the crowd, like *Petrushka* - Graves is lifted by the carnival revelers as he yells "Garance!" lustily, several times. (Photographs of her face are blown up behind him: a bad mistake.) To make matters worse, Sylvester Le Touxel, a sometimes excellent actor who here reverts to a most hammy pushiness, wholly misses the delicacy of feeling of Baptiste's wife Nathalie in her final scene. And it is Maria Casarès in this role that I miss most from the movie.

Several of the small roles are missed too, but Maggie Wells as Mme Hermine and James Faulkner as Avril make strong, funny, impressions. Perhaps cuts should be made - but in truth I regretted the few that have been made. In a *Nicholas Nickleby* sort of way, this anglicised *Les Enfants du Paradis* is vivid theatre. Its plunge into romance is a rare treat.

In repertory at the Barbican Theatre until March 16 (0171-638 8891).



Helen McCrory: Bohemian beauty as Garance

Alastair Muir

INTERNATIONAL  
ARTS  
GUIDE

## AMSTERDAM

## CONCERT

Concertgebouw  
Tel: 31-20-5730573  
● Gustav Leonhardt: the harpsichord-player/organist performs works by Purcell, Gibbons, Tomkins, Locke, Blow, Croft and Randall; 8.15pm; Feb 5  
● Schoenberg Quartet: with baritone Romain Bischoff perform Schoeck's *Notturmo*, Hindemith's *String Quartet No.3* and Shostakovich's *String Quartet No.11* in F minor, Op.22; 8.15pm; Feb 3

## BERLIN

## CONCERT

Staatsoper unter den Linden  
Tel: 49-30-2082861  
● L'Opera seria: by Gassmann. Conducted by René Jacobs and performed by the Staatsoper unter den Linden. Soloists include Laura Ailin, Dorothea Röchmann, Bernd Zeilisch and Klaus Häger; 7pm; Feb 1, 3  
● Opera Komische Oper Tel: 49-30-202600

● The Legend of Tser Saltan: by Rimsky-Korsakov. Conducted by Michail Jurowski and performed by the Komische Oper Berlin. Soloists include Passow, Bach-Rohr and Sternberger; 6pm; Feb 3, 4 (17am)

## BOLOGNA

## CONCERT

Teatro Comunale di Bologna  
Tel: 39-51-529999  
● Mzia Simonishvili: the pianist performs Beethoven's *Sonata Op.31 No.2*, Liszt's *Mephisto Waltz*, Mozart's *Fantasia KV 397* and Prokofiev's *Sonata No.2 Op.14*; 9pm; Feb 5

## CANBERRA

## EXHIBITION

National Gallery of Australia  
Tel: 61-6-240-8411  
● The Vision of Kings: Art and Experience in India: exhibition of sculptures, paintings and other related works of art created over a period of 2,000 years for Hindu, Buddhist, Jain and Muslim patrons. Central to the creation of art in India was the vision of the kings who were the main (though not exclusive) patrons of Indian art until the modern period. The display includes some 100 works from Indian, Australian, European and American collections; to Feb 4

## CHICAGO

## EXHIBITION

Museum of Contemporary Art  
Tel: 1-312-280-2660  
● Andres Serrano: Works 1983-1993: the first major mid-career retrospective of

Serrano's large-scale Cibachrome photographs, featuring more than 50 works created during the last 10 years. Serrano's work often examines controversial subjects such as religion, racism, homosexuality and death; to Feb 4

## COPENHAGEN

## DANCE

Det Kongelige Teater  
Tel: 45-33 14 10 02  
● The Sleeping Beauty: a choreography by Petipa/Tomasson to music by Tchaikovsky, performed by the Royal Danish Ballet. Soloists include Silja Schandorff and Aage Thordal Christensen (Feb 1, 3), and Caroline Cavello and Jean-Lucien Massot (Feb 5, 10, 12); 8pm; Feb 1, 3, 8, 10, 12

## DUBLIN

## EXHIBITION

Irish Museum of Modern Art  
Tel: 353-1-871888  
● Images of Solidarity - Re-examined: this exhibition sets out to examine the question of how photographic images communicate and how the context in which they are placed influences that communication. The display is based on a set of photographs taken by Irish people on work brigades in Nicaragua in the late 1960s and on public reaction to them when they were originally exhibited in 1991. The exhibition begins with the original images and then takes the viewer through a series of installations which reveal how the preconceived ideas of both the photographer and the viewer condition the reading and, ultimately,

the meaning of the work; to Feb 4

## DUSSELDORF

## CONCERT

Tonhalle Düsseldorf  
Tel: 49-211-8992081  
● Royal Philharmonic Orchestra: with conductor Dirk Joeres perform works by Gade, R. Schumann and Brahms; 8pm; Feb 3

## HANOVER

## EXHIBITION

Springel Museum  
Tel: 49-511-1833875  
● Allan McCollum: Natural Copies: exhibition of more than 800 objects created and collected by Allan McCollum for his projects *The Dog from Pompeii*, *Lost Objects*, and *Natural Copies from the Coal Mines of Central Utah*; to Feb 4

## LONDON

## OPERA

London Coliseum  
Tel: 44-171-8360111  
● Les Pêcheurs de Perles: by Bizet (in English). Conducted by Emmanuel Joel (Feb 3) and Michael Lloyd (Feb 7) and performed by the English National Opera. Soloists include John Hudson, Elizabeth Woollett, Michael Lewis and Mark Richardson; 6.30pm; Feb 3, 7 (7.30pm)

## METZ

## DANCE

L'Arsenal Tel: 33-87 39 92 00  
● Nuits: a choreography for nine dancers by Mathilde Monnier, performed by the Centre

Chorégraphique de Montpellier; 8.30pm; Feb 2

## NEW YORK

## CONCERT

Carnegie Hall Tel: 1-212-247-7800  
● St Petersburg Philharmonic Orchestra: with conductor Yuri Temirkanov and violinist Pamela Frank perform Bruch's *Violin Concerto No.1* in G minor, Shostakovich's *St Petersburg's Visions*, and Mahler's *Symphony No.1* in D major (Tian); 8pm; Feb 5  
New York Public Library for the Performing Arts - Bruno Walter Auditorium Tel: 1-212-870-1721  
● Douglas Riva: the pianist pays tribute to the Spanish composer and pianist Enrique Granados; 3pm; Feb 2  
DANCE  
New York State Theater  
Tel: 1-212-875-5570  
● New York City Ballet: perform the choreographies *Divertimento No. 15*, by Balanchine to music by Mozart, *Opus 19/The Dreamer*, by Robbins to music by Prokofiev, *Glazunov Pas de Deux*, by Watson to music by Glazunov, and *Symphony in Three Movements*, by Balanchine to music by Stravinsky; 8pm; Feb 2

## PARIS

## CONCERT

Salle Gaveau Tel: 33-1 49 53 05 07  
● Jean-Philippe Lafont: recital by the baritone. The programme includes works by Handel, Gluck, Mendelssohn, Mozart, Mahler, Fauré, Duparc, Schubert and Poulenc; 8.30pm; Feb 5  
EXHIBITION  
Fondation Cartier pour l'Art

Contemporain  
Tel: 33-1 42 18 56 50

● By Night: exhibition devoted to the night and the way it has inspired painters, photographers, video and film makers. The display includes works by Edouard Vuillard, Felix Vallotton, Otto Dix, Weegee, Robert Frank, Pierre Molinier, Cindy Sherman, Wolfgang Tillmans, Felix Gonzalez Torres and others; from Feb 2 to May 19

## SAN FRANCISCO

## EXHIBITION

MOMA - Museum of Modern Art  
Tel: 1-415-357-4000  
● An Everyday Modernism: The Houses of William Wurster: drawings, models and photographs explore the 50-year career of the Bay Area architect. Wurster's homes, both urban and suburban, embody his principles of simplicity and economy, at the same time they respond to environmental conditions. Wurster joined forces with landscape architect Thomas Church to create living environments that reflected the conditions of northern California; to Feb 4

## WASHINGTON

## OPERA

Eisenhower Theater  
Tel: 1-202-467 4600  
● Il Barbiere di Siviglia: by Rossini. Conducted by Heinz Fricke and performed by the Washington Opera. Soloists include Michael Chiodi, Vivica Genaux and Brian Nadin; 7.30pm; Feb 3, 6

## WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV  
(Central European Time)  
MONDAY TO FRIDAY

NBC/Super Channel:

07.00  
FT Business Morning

10.00  
European Money Wheel  
Nonstop live coverage until 14.00 of European business and the financial markets

17.30  
Financial Times Business Tonight

Midnight  
Financial Times Business Tonight

## COMMENT &amp; ANALYSIS

Economic Viewpoint • Samuel Brittan

## The snares of stakeholding

Managers who are theoretically responsible to workers, suppliers, customers and the general public are in practice accountable to no-one in particular



When Tony Blair, the leader of the opposition, embraced the stakeholder concept in his recent speech in Singapore, the Conservative government characteristically could not make up its mind how to respond. Some of the press briefings denounced the idea as socialism or corporatism or a return to trade union power. But others said that the Conservatives already embraced the stakeholder idea and that there was nothing new in Mr Blair's speech.

Both responses are wrong. The stakeholder idea of the company is not the same as trade union power. Nor is it the same as corporatism, which is mainly used for the tripartite setting of economic policy by central bodies of unions, employers and governments. And anyone can say plausibly that every citizen in a democratic country should have a stake in national prosperity; or more tentatively that if they do not have a stake they will riot. If used too loosely, this useful word will go the way of "democracy", "community" and others, and degenerate into a meaningless soundbite.

But the expression stakeholder has acquired a much more definite meaning in recent discussions of how corporations ought to be governed. The stakeholder theory is offered by its exponents as an alternative to the traditional view that companies should be run in the interests of their shareholders. It is because the word stakeholder has become controversial enough to antagonise some chief executives that the recent study on the future of the company by the Royal Society of Arts tried to broaden the duties of directors without mentioning the dreaded "s" word.

According to corporate practice, the rights of ownership belong to those who enjoy the residual gains, or bear the residual losses, of a corporation, when all contractual payments have been made. In

most corporations, this residual belongs to those who put up capital on other than fixed interest terms.

But it does not have to be like that. The worker-owned business is probably rarer than the consumer co-operative, but where it has succeeded it has achieved more noteworthy results. In the US Employee Share Ownership Plans, the equity is owned by the workers. This also applies to a select band of British companies, the best-known of which is the John Lewis Partnership, the retailing group. Internationally the best-known example is the Mondragon group of enterprises based in the Basque region of Spain.

There are good reasons why those who put up capital should usually employ the workers rather than the other way round. There is room for experiment with more diversified forms of ownership, but it is probably too difficult under British conventions for a public company to transform itself into an employee-owned one even if the shareholders are willing to be bought out. Most of the existing employee-owned businesses were originally family companies with owners who did not wish to leave them to their descendants.

But whoever owns the equity, the role of the management is clear: it is to maximise the value of that equity. It is the object of the law, unwritten rules and public policy to ensure that their efforts to do so benefit the wider public. There is also usually enough uncertainty about what will maximise long-term profits to justify many different approaches to the treatment of workers, customers, suppliers and others. Capitalism will not collapse if a business tries to produce a pleasant working environment or provides a playing field at the back of the establishment.

The economic argument for profit maximisation is that companies will prosper in a

competitive market if they supply services for which there is a national or international demand and supply them at the lowest cost. The resulting growth of prosperity brings greater gain to workers and customers than more nebulous and unenforceable goals.

Adam Smith made the famous remark about not depending on the benevolence of the baker for our daily bread. He also said that little good came of businessmen who professed to trade in the public interest. Motivation apart, businessmen do not have the knowledge to advance the public interest directly and will serve their fellows best if they concentrate on maximising their shareholders' equity rather than on promoting exports, combating global warming or solving political problems.

There has been a long discussion in business economics of the "principal-agent problem". This concerns how to make the professional manager act in the interests of the ultimate owners. The threat of takeover is a crude enforcement mechanism, but one

which is hard to improve. The stakeholder approach is simply to dissolve this problem in a general mushiness. Everyone is supposed to promote the interests of everyone else and no-one is really accountable for anything. Management is theoretically responsible not only to shareholders or even to workers, but to suppliers, customers and the public at large. This has no operational meaning. In practice it is simply a charter for management to do what it likes without accountability to the owners of the business. Managers will try to get away with this, but fortunately they rarely can.

There are too many romantic notions about how businesses are run in the German-speaking countries. As a Financial Times reader, David Morgan, remarked in a letter from Switzerland published on January 24: "It is a warm, comforting notion [that] the chief executive who stands before his shareholders [could] justify a big training initiative without being able to say that he believes it will lead to profit now or in the future. I

am quite sure that chief executive would last no longer in Switzerland than in the UK, and rightly so."

The advantage of a traditional company is that there is a specific goal for which its managers are held accountable. As Elaine Sternberg, the business consultant, has said, the "socially responsible" business is a loose cannon and a menace to itself and others (*Just Business*, Little, Brown, 1995).

According to a study in support of stakeholding by John Kay and Aubrey Silberston (NIESR Review, August 1995), a stakeholder corporation would have the task of "promoting the business of a company and to balance the claims of investors, suppliers and employees". But they do not explain how a stakeholder corporation would take the essential business decisions of deciding which product and services to make, for which markets and by what methods, what to charge customers and how to raise any extra capital that it needs.

There is also a deliberate ambiguity about the pronouncements of stakeholder theorists. Such theorists say that management should look beyond the bottom line and mere financial return. On the other hand, they are quick to tell their opponents that companies which adopt the practices of which they approve will also be more prosperous. It is like the old Welsh preacher who waxed eloquent about the moral virtues of honesty, adding just before he left the pulpit that it also paid.

The core argument against stakeholding is not one of economics but of psychology and motivation. Someone who is theoretically responsible to everyone for everything is in practice not responsible to anyone for anything. People function best if they have specific responsibilities for which they are held accountable by means which are transparent, verifiable and respect the realities of human nature.

FOREIGN BODY - THE SECRET LIFE OF MAXWELL: By Russell Davies  
Bloomsbury, £14.99MAXWELL - THE FINAL VERDICT: By Tom Bower  
HarperCollins, £16.99

## The difficult search for a chameleon



When alive, the publisher Robert Maxwell tried to obstruct any attempt to investigate his life. Even after his death, any account faces problems.

One is the desire of those involved in the collapsed empire to portray themselves in the best light. A second is that some of the most colourful anecdotes are already well known. There is, for example, the story - perhaps apocryphal but ubiquitous - of Maxwell urinating from the roof of the Daily Mirror building, mocking the people below because "they don't even know someone is pissing on them".

A third, the most troublesome, is the nature of his life. Faced with an obstruction, his instinct was to change subject, travel to another country, even change what he was wearing. Neither Bower nor Davies portray him as mad, but the discontinuity which he found so convenient, and which created the confusion that enabled his empire to accumulate \$4bn of debt, makes a chronicle of his life hard to tell.

Davies chooses to focus on one question: how Maxwell died. His conclusion, murder, leads him into an account of Maxwell's "secret life" - the foreign diplomacy, the links with the Soviet Union, Bulgaria and Israel, the contacts with the Soviet and British intelligence services which led to repeated accusations of spying and arms dealing.

But he has little more to go on than other writers in these murky realms. He argues in a compelling last chapter that the murder theory leaves fewer explanations. This requires him to explain who might have wanted Maxwell dead and how they would have got onto Maxwell's boat in mid-Atlantic.

Davies answer that any of Maxwell's foreign contacts could have wanted him dead, in the end, unconvincing.

For all, Maxwell's self-aggrandisement, it was money and finance rather than his compulsive, quasi-diplomacy that dominated his life, particularly in the last two years. And to his creditors, he was, without doubt, worth more alive than dead.

However, doubts about the central thesis should not deter readers from this thoughtful and witty account of Maxwell's life. Davies quotes the publisher's advice to his son: "Remember a listener is always more appreciative than a talker and avoid boasting."

He gives Maxwell credit for founding The European newspaper. "Maxwell knew more about Europe than the British customarily wanted to know." He is particularly perceptive about Maxwell's infantile disposition. Describing his rage about "why my parents went to their death without a complaint," Davies observes: "What complaint could Maxwell have expected his parents, or any other Holocaust victim, to register, in the face of the Nazis' military-industrial programme of homicide?"

He adds: "His [Maxwell's] emotions were uncontrollable on the subject of the Holocaust, and as Elisabeth Maxwell's book makes clear, he treated his wife, during their last years together, uncontrollably badly. Both sets of behaviour, as she knew, had the same psychological root."

In the end, did he treat himself that way? The theory of suicide is rejected by most writers who knew Maxwell as being against the nature of the man. Yet that conclusion is not incompatible with the portrait Davies draws.

Tom Bower sets himself on a different enterprise. Before Maxwell's death, he battled to

produce his triumphant biography, *Maxwell the Outsider*, against ferocious legal obstacles thrown up by his subject. His latest investigation concentrates on reconstructing the last year of Maxwell's life.

In doing so, it has provided an outstanding indictment, conversation by conversation, signature by signature, of the behaviour of some of the financial community and the directors who took the Maxwell shilling. Bower has meticulously reconstructed these transactions and answers many past puzzles - such as how Maxwell mysteriously produced earnings of \$80m from foreign currency trading in the 1991 accounts.

The book is not an easy read. It is dense; indeed, it is the closest experience most members of the public will have to being a member of the jury in the recent Maxwell trial. In his preface, Bower warns that "proper journalism... is often complicated to read, unentertaining and inconclusive".

He has a fondness for cliché - "emotions raged across the courtroom" while "the ghost of Robert Maxwell bellowed in laughter". There is also a tendency to bland generalisation: "The theatricality, the egotism and the vanity of the man were unsurpassed."

And those who are searching to understand Maxwell's emotions may find it frustrating. Bower warns that "those who attempted to understand his psychology invariably failed, because both his motives and his reasoning were unique". It is hard to discern, for example, whether Maxwell was afraid, either of being found out or of his empire collapsing.

But those considerations aside, Bower's latest investigation, like his first, is a valuable and impressive record of the anatomy of one of the most dramatic corporate collapses this century.

## LETTERS TO THE EDITOR

Number One, Southwark Bridge, London, SE1 1TH

We are keen to encourage letters from readers around the world. Letters are sent to the editor's discretion. Please send letters to: [letters@ft.com](mailto:letters@ft.com). Translations may be available in French and German. Please do not send photographs or other material.

## IMF should sustain support of Russian recovery

From Professor Padma Desai.

Sir, In "Russia steps backwards" (January 26), you raise legitimate concern about the continuation of the 1995 "macroeconomic restraints" in view of the increased budgetary outlays announced by President Yeltsin for payment of overdue wages and salaries to government employees and increased pensions.

The problem is even more acute because the president has sanctioned more allocations for rebuilding war-ravaged Chechnya than than allowed in the 1996 budget. The projected revenues of the budget are also as problematic as the anticipated increases in outlays. Revenue from the sale to investors of government stock in Russia's 20,000 large factories on the

"federal list", expected to raise up to \$3bn for the 1996 budget, will certainly fall short. The Communists and agrarians in the pre-election Duma had opposed the programme in June 1994. The new Duma, with its increased strength, can be expected to be more intransigent.

The 1996 targets adopted by the previous Duma of a monthly inflation rate of 1.9 per cent and a projected budget deficit of 3.9 per cent of gross domestic product are then in jeopardy. The options facing the International Monetary Fund, which is negotiating a \$9bn credit with the Russian government, are the following:

- revise these targets down as unrealistic;
- maintain the targets but increase the support temporarily to offset the added budgetary shortfall.

The first option is likely to force the Russian government into abandoning monetary and fiscal discipline as a political necessity, reversing the steady stabilisation gains of 1995. The second option sends the wrong signal that the IMF is willing to give up on these gains.

The third option seems to offer the wisest course. Under the IMF's persistent prodding and strict monitoring, the economy's management has changed from bureaucratic controls to market-type instruments. Most prices are free, the quantitative trade restrictions have been done

away with, the export taxes have been removed, and energy prices are moving closer to world levels. The inflation rate has steadily come down from 2,600 per cent in 1992 to 873 per cent in 1993, 335 per cent in 1994 and an estimated 120 per cent to 130 per cent in 1995. Surely it is advisable for the IMF to remain engaged in the process and to push it forward by financially supporting the fulfilment of the 1996 macroeconomic targets especially at a time when the Russian economy is showing signs of recovery.

Padma Desai,  
professor of economics,  
Columbia University,  
New York, NY 10027,  
US

## Eximbank not competing

From Mr Martin A. Kamarck.

Sir, Re your article "Eximbank setback over \$1bn Gulf loan" (January 29), I want to set the record straight on the Equate project. The Export-Import Bank only provides financing that the private sector cannot, or where foreign governments are providing subsidised financing for their exporters. We do not compete with private-sector financing. That is our Congressional mandate.

For the Equate project, we learned very late in the game that financing has become

available from private-sector banks in the Gulf region and the US.

It is fine with us that the private sector is working as it is supposed to. That is the right result. It is always a winning combination when US exports occur and American workers benefit without using taxpayer dollars.

Martin A. Kamarck,  
chairman, acting,  
Export-Import Bank,  
811 Vermont Avenue, NW,  
Washington DC 20571,  
US

## All-party talks on election best

From Mr John Farago.

Sir, The ballot box is obviously better than the gun ("Better the ballot box", January 30) in Northern Ireland as elsewhere. Sinn Féin and other nationalist politicians would gain credibility and strength if their negotiators were backed by popular vote rather than by the threat of resumption of violence or even by declarations of continuing non-violence.

But the nationalist community cannot be expected to have confidence in an electoral process, suddenly announced, if the timing,

format and rules are to be determined solely by the British government with unionist politicians breathing heavily over their shoulders.

Would it not be more sensible to call all-party talks now with the primary purpose of agreeing when and how an election to a negotiating convention should be held?

Until unionists are given some power and responsibility through some form of election process, they are unlikely to do anything other than say no.

John Farago,  
121 Church Road,  
London SW19 5AH

## Reconciling the political aim of Emu with reality

From Mr Adolf Rosenstock.

Sir, There is only one Emu entry criterion that is strict, binding and feared - the 3 per cent fiscal deficit to gross domestic product ratio. By 1997 no country larger than Luxembourg, Denmark, Ireland and Finland will achieve this. Germany's deficits are likely to grow from 3.6 per cent in 1995 to 4 per cent this year. By 1997, a small decline is possible, but the 3 per cent hurdle seems insurmountable.

One way to reconcile the political objective of Emu with reality is to relinquish this criterion - not a viable course for the German government. According to the preamble to the ratification law, the German government's vote in the EU council on the entry into Emu requires the approval of the Bundestag and Bundesrat (upper house) after appropriate evaluation.

The Constitutional Court in October 1993 restricted the interpretation and enactment of the Maastricht treaty.

● Ratification of the treaty does not mean that the country subjects itself to any automatism leading to Emu. The time schedule is not legally enforceable.

● The preamble is fully valid.

● Powers of the Bundesbank can only be delegated to a European central bank if the priority of price stability is clearly established.

● The Emu entry criteria cannot be softened.

● Should the country enter Emu and this destabilise prices later, the government has to consider leaving Emu.

The loophole out of this quagmire is in the Maastricht treaty 109: "Should the starting point for stage III not be determined by the end of 1997 then stage III shall start on January 1, 1999. Before July 1, 1998 the Council confirms... by qualified majority... which member countries fulfil the necessary preconditions for the changeover into a unified currency."

So, just a new deadline has to be defined. Otherwise it is not certain the EU council in 1996 can find a qualified majority willing to send a sufficiently large number of countries into Emu. This would mean the silent death of the Maastricht Emu project.

Adolf Rosenstock,  
senior economist,  
IBJ Frankfurt,  
Niedemann 13-19,  
60325 Frankfurt, Germany

## KEEP YOUR JUDGEMENT RAZOR SHARP



Each month, Money Management sums up the case for and against a range of financial products - with regular features, insights and detailed analysis to help you get important decisions right. Plus our statistics are renowned for being the most comprehensive available to the industry.

Money Management is the essential reference source for anyone in financial services. Make sure you have your own personal copy delivered directly to you every single month.

MONEY MANAGEMENT

## SPECIAL OFFER

Take advantage of a special introductory offer and save 10% off a year's subscription.

- ☐ Yes, I would like to subscribe to Money Management at the special introductory rate of 10% off a YEAR's subscription.
- ☐ UK £55.10 ☐ Rest of World £76.50 £113.85

## Payment Details

- ☐ I enclose a cheque made payable to FT Magazines
- ☐ Please debit my credit card ☐ Amex ☐ Visa ☐ Access ☐ Diners Club
- Card number  Expiry Date

Signature  Date

Mr/Mrs/Miss/Ms  Job Title

☐ Company ☐ Private Address

Postcode

Telephone No.  Fax No.

OFFER APPLIES TO NEW SUBSCRIBERS ONLY.

Personnel Professional Limited, Registered Office: Maple House, 149 Tottenham Court Road, London W1P 5LL, England.  
Registered No: 2776234 (England and Wales); VAT Registration No: GB276234121. The information you provide will be held on our database and may be used to keep you informed of our and our associated companies' products and for selected third party mailings.

Post to:  
Money Management  
Subscriptions  
Department,  
FREEPOST KE347,  
Bromley, BR2 9BR

Fax:  
0181 402 8490

Phone:  
0181 402 8485

## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700  
Thursday February 1 1996

## Central banks to the rescue

This year is fast shaping up to be the year of the central banker-turned-saviour. With governments in the US and Europe hell-bent on fiscal prudence, the Bundesbank and the US Federal Reserve are being told that only they can save the world from "collapse" from turning into a recession. So far, at least, both seem happy to take on the job.

With the Bundesbank widely expected to reduce interest rates at today's council meeting, its members may opt to preserve their reputation for unpredictability by leaving official rates as they are. But they have already shown a strong bias towards cheaper money. The repo rate, which was set at 3.4 per cent yesterday, has fallen by nearly two thirds of a percentage point since last month's half-point cut in the discount rate.

In less angst-ridden times, Mr Hans Tietmeyer, the Bundesbank president, would probably want to bide his time before loosening policy even further. With inflation now running at a little over 2 per cent, short-term real interest rates are already well below the long-term average of 3 per cent. Equally, December money supply growth was somewhat higher than expected.

But these are not ordinary times. Germans have woken up to the fact that it is not only France that is in danger of digging itself into a recession in a potentially self-defeating attempt to qualify for European monetary union. The economic packages unveiled with

much fanfare this week in Germany and France differed in approach. Yet each stimulus package promised far more than either government was in a position to deliver.

Mr Tietmeyer also has the US Federal Reserve to consider. A lower D-Mark would do more for Germany's immediate growth and employment prospects than interest-rate cuts alone can achieve. The D-Mark has fallen by about 5 per cent against the dollar since October, but it must fall further if the east German manufacturing sector is to produce a substantial increase in jobs for the region's unemployed. This may prove a forlorn hope if US interest rates continue to fall in lock-step with German ones or, worse still, even faster.

Mr Alan Greenspan, the Federal Reserve chairman, has less room to play the saviour than Mr Tietmeyer. The unemployment rate is only 5.6 per cent, close to the level usually associated with rising prices. However, other data suggest that growth may have slowed to an annual rate of 1% per cent, below the estimated potential rate of a little over 2 per cent. To judge by yesterday's quarter of a percentage point reductions in both the discount and the federal funds rates, Mr Greenspan believes he can prod the economy back towards trend at little risk to inflation. This is good news for US mortgage-holders, and good for Mr Greenspan's reputation on Main Street. Mr Tietmeyer will be under heavy pressure to respond.

## Disarming Chirac

"I feel today that I have accomplished one of the chief duties of my office, by endowing France with the means of her independence and security in the coming decades." Such was the boast of President Jacques Chirac on Monday night when he announced the end of France's nuclear test programme.

The statement is hardly credible. (Could six tests really achieve so much?) It strengthens the idea that Mr Chirac's motive for ordering the resumption of tests last summer was more political than technical or strictly military. The experts on whose advice he ostensibly acted certainly wanted more than six tests, and they are far from enthusiastic about the total ban on future tests which France is now committed to negotiate.

The French defence establishment will await with apprehension the initiatives for an "active and determined role in world disarmament" which Mr Chirac has promised to unveil in the next few weeks.

It could be that he has simply been bounced into espousing the cause of disarmament by the unexpected strength of world reaction to the test programme. But it is more charitable, and on the whole more plausible, to assume that Mr Chirac knew more or less what he was doing all along. On this interpretation, he needed the test programme to establish his authority, and his Gaullist credentials, precisely because he knew

from the start that he would have to slaughter several sacred cows of Gaullist defence policy.

In this, as in much else, his government has built on positions already staked out by his rival Edouard Balladur during the last two years of François Mitterrand's reign. Mr Balladur's defence white paper of 1995 stressed the limits of what France could achieve by a purely national defence effort, and switched the emphasis to the contribution the country could make to a collective European defence.

That period also saw France develop a closer working relationship with Nato, particularly in the context of Bosnia. Mr Chirac has now formalised and generalised that new relationship, going about as far as he could without actually taking France back into the joint command structure or the nuclear planning group.

He has also recently signalled his desire to abolish conscription (a decision with a respectable Gaullist pedigree, since Charles de Gaulle first became known in the 1930s as the advocate of a professional army). This points the way to more efficient armed forces, but also almost certainly to much smaller ones, since man for man a professional army costs more than a conscript one. And there can be little doubt that the next sacred cow to come under Mr Chirac's knife will be the defence budget - the only one in a major Nato country to have escaped significant cuts since the end of the cold war.

## Caught in the crossfire

With guided weapons decisive in modern warfare, three British orders are critical to the European missile industry, says Bernard Gray

In Bosnia last summer Nato aircraft often missed targets with conventional bombs, but 13 Tomahawk cruise missiles, launched against heavily defended areas which jets could not safely attack, scored 13 direct hits. Missiles are increasingly the primary weapon on the modern battlefield.

Over the next year the UK will order £2.5bn (£3.5bn) of missiles in three separate competitions which will decide whether Britain retains a significant guided weapons industry, and shape the future of the European missile market.

Yet - despite the fact that missiles are becoming the deciding factor in war - there are few signs that the UK Ministry of Defence feels the country needs to retain the technology to develop guided weapons.

The UK is looking for a cruise missile which can be fired from Royal Air Force fighters, which fly at least 250km at tree-top height, and destroy command bunkers, bridges and aircraft hangars. On top of this missile, the MoD wants an anti-tank weapon to be fired from aircraft, and a long range air-to-air missile, which will be the principal armament for the Eurofighter, the £22bn joint defence initiative.

The procurement Executive, the weapons-buying arm of the MoD, is running separate competitions for each missile and will evaluate bids purely on the basis of bang for the MoD's very limited buck. Ministers will then decide whether its recommendations are politically acceptable, taking into account such questions as whether orders should be placed in the UK or abroad in the run-up to a general election.

Much depends on the three decisions. The proposed merger of the missile operations of British Aerospace and Matra of France, part of a wider European consolidation, hinges on the outcome of the cruise missile competition. Mr Henri Coe, the head of French defence procurement, has insisted that the contract should go to the Matra-Bae team as a token that the UK is committed to a European defence market.

Britain, says Mr Coe, allows US companies to compete for its missile contracts, while the US market is all but closed to Europeans. The US also restricts access to the technology of missiles it does sell abroad, making it difficult for foreign buyers to arm themselves if the US refuses to supply further equipment. According to the French, it is time for the British to choose which camp they are in. If the UK picks predominantly US weaponry, it is likely to be excluded from the rationalisation of the European missile market.

The orders, furthermore, come at a time when missile production in the UK is split between several companies and has reached a very low ebb, partly because the MoD has already placed almost £70n of missile contracts with the US in recent years. British Aerospace's missiles division employs only 3,000 people, compared with 16,000 in 1989. GEC-Marconi, the defence and electronics arm of the General Electric Company, has only one such programme, producing guided bombs for the United Arab Emirates.

The new orders will determine which UK companies, if any, survive as missile makers, and decide whether the country retains a missile industry.

That may be important in war because missiles are one of the few weapons which countries will be able to produce rapidly and in quantity during a future conflict. With their highly complex systems, mod-

## UK missiles under attack

Over the next year the UK will order £2.5bn (£3.5bn) of missiles in three separate competitions which will decide whether Britain retains a significant guided weapons industry, and shape the future of the European missile market.

Yet - despite the fact that missiles are becoming the deciding factor in war - there are few signs that the UK Ministry of Defence feels the country needs to retain the technology to develop guided weapons.

The UK is looking for a cruise missile which can be fired from Royal Air Force fighters, which fly at least 250km at tree-top height, and destroy command bunkers, bridges and aircraft hangars. On top of this missile, the MoD wants an anti-tank weapon to be fired from aircraft, and a long range air-to-air missile, which will be the principal armament for the Eurofighter, the £22bn joint defence initiative.

The procurement Executive, the weapons-buying arm of the MoD, is running separate competitions for each missile and will evaluate bids purely on the basis of bang for the MoD's very limited buck. Ministers will then decide whether its recommendations are politically acceptable, taking into account such questions as whether orders should be placed in the UK or abroad in the run-up to a general election.

Much depends on the three decisions. The proposed merger of the missile operations of British Aerospace and Matra of France, part of a wider European consolidation, hinges on the outcome of the cruise missile competition. Mr Henri Coe, the head of French defence procurement, has insisted that the contract should go to the Matra-Bae team as a token that the UK is committed to a European defence market.

Britain, says Mr Coe, allows US companies to compete for its missile contracts, while the US market is all but closed to Europeans. The US also restricts access to the technology of missiles it does sell abroad, making it difficult for foreign buyers to arm themselves if the US refuses to supply further equipment. According to the French, it is time for the British to choose which camp they are in. If the UK picks predominantly US weaponry, it is likely to be excluded from the rationalisation of the European missile market.

The orders, furthermore, come at a time when missile production in the UK is split between several companies and has reached a very low ebb, partly because the MoD has already placed almost £70n of missile contracts with the US in recent years. British Aerospace's missiles division employs only 3,000 people, compared with 16,000 in 1989. GEC-Marconi, the defence and electronics arm of the General Electric Company, has only one such programme, producing guided bombs for the United Arab Emirates.

The new orders will determine which UK companies, if any, survive as missile makers, and decide whether the country retains a missile industry.

That may be important in war because missiles are one of the few weapons which countries will be able to produce rapidly and in quantity during a future conflict. With their highly complex systems, mod-

ern fighter aircraft take between two and three years to make, and warships even longer. Any but the most protracted war is likely to be a "come as you are" conflict, with the combatants having to rely on aircraft, ships and tanks they already hold in their arsenals. Missiles will be vital to defend those aircraft and ships which are available and to inflict damage on the enemy.

During the Gulf war, for example, the US started to run out of its Patriot anti-Scud missiles. Production was quickly increased, and staff at Lockheed Martin's plant in Orlando, Florida, tell of making a missile which was fired over Doha in Saudi Arabia less than 24 hours after it left the factory.

But if a country does not control technology and manufacturing for the missiles it needs, it can find it hard to get hold of wartime stocks. In both the Falklands conflict and

the Gulf war, the UK had difficulty in borrowing additional US-made Sidewinder air-to-air missiles from some of its continental European Nato allies.

Equally importantly, argue the UK manufacturers, it can be difficult to export aircraft armed with foreign missiles. The UK will often be in competition with US or French aircraft manufacturers for export orders, so either country might be tempted to withhold permission for its missiles to be exported to third parties on British aircraft. Since aircraft are primarily platforms for carrying missiles, barring export licences would blight British export prospects.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with

an eye to which technologies the UK needs to retain in the past the MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special".

The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the UK does not have to be overly concerned about any particular equipment - including missiles. Second, it says that all modern complex weapons contain elements from so many different countries that it is impossible to ensure fully secure supplies of components anyway.

This approach is in marked contrast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys whole weapons systems from over-

seas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many missile areas.

Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range AIM-120 control the market.

Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while Bae has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas manufacturers.

His splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons Bae and Matra have been negotiating a joint venture.

Aerospace of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precursor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award the contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: Bae is joining Matra for the cruise missile contest but with Hughes of the US in the anti-tank bid.

Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed up version of its current Amram missile, and a European consortium of several of the partners in Eurofighter: Britain, Germany, Italy and Spain, and possibly also France and Sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the Bae-Matra team, Matra has said it will call off the proposed merger.

Since the British government says it supports a free market in defence equipment arguably the best solution for Bae's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons: which was probably not what the MoD's mandarins had in mind when they first invited bids.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with

an eye to which technologies the UK needs to retain in the past the MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special".

The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the UK does not have to be overly concerned about any particular equipment - including missiles. Second, it says that all modern complex weapons contain elements from so many different countries that it is impossible to ensure fully secure supplies of components anyway.

This approach is in marked contrast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys whole weapons systems from over-

seas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many missile areas.

Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range AIM-120 control the market.

Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while Bae has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas manufacturers.

His splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons Bae and Matra have been negotiating a joint venture.

Aerospace of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precursor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award the contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: Bae is joining Matra for the cruise missile contest but with Hughes of the US in the anti-tank bid.

Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed up version of its current Amram missile, and a European consortium of several of the partners in Eurofighter: Britain, Germany, Italy and Spain, and possibly also France and Sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the Bae-Matra team, Matra has said it will call off the proposed merger.

Since the British government says it supports a free market in defence equipment arguably the best solution for Bae's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons: which was probably not what the MoD's mandarins had in mind when they first invited bids.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with

an eye to which technologies the UK needs to retain in the past the MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special".

The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the UK does not have to be overly concerned about any particular equipment - including missiles. Second, it says that all modern complex weapons contain elements from so many different countries that it is impossible to ensure fully secure supplies of components anyway.

This approach is in marked contrast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys whole weapons systems from over-

seas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many missile areas.

Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range AIM-120 control the market.

Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while Bae has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas manufacturers.

His splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons Bae and Matra have been negotiating a joint venture.

Aerospace of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precursor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award the contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: Bae is joining Matra for the cruise missile contest but with Hughes of the US in the anti-tank bid.

Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed up version of its current Amram missile, and a European consortium of several of the partners in Eurofighter: Britain, Germany, Italy and Spain, and possibly also France and Sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the Bae-Matra team, Matra has said it will call off the proposed merger.

Since the British government says it supports a free market in defence equipment arguably the best solution for Bae's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons: which was probably not what the MoD's mandarins had in mind when they first invited bids.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with

an eye to which technologies the UK needs to retain in the past the MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special".

The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the UK does not have to be overly concerned about any particular equipment - including missiles. Second, it says that all modern complex weapons contain elements from so many different countries that it is impossible to ensure fully secure supplies of components anyway.

This approach is in marked contrast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys whole weapons systems from over-

seas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many missile areas.

Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range AIM-120 control the market.

Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while Bae has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas manufacturers.

His splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons Bae and Matra have been negotiating a joint venture.

Aerospace of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precursor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award the contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: Bae is joining Matra for the cruise missile contest but with Hughes of the US in the anti-tank bid.

Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed up version of its current Amram missile, and a European consortium of several of the partners in Eurofighter: Britain, Germany, Italy and Spain, and possibly also France and Sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the Bae-Matra team, Matra has said it will call off the proposed merger.

Since the British government says it supports a free market in defence equipment arguably the best solution for Bae's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons: which was probably not what the MoD's mandarins had in mind when they first invited bids.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with

an eye to which technologies the UK needs to retain in the past the MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special".

The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the UK does not have to be overly concerned about any particular equipment - including missiles. Second, it says that all modern complex weapons contain elements from so many different countries that it is impossible to ensure fully secure supplies of components anyway.

This approach is in marked contrast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys whole weapons systems from over-

seas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many missile areas.

Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range AIM-120 control the market.

Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while Bae has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas manufacturers.

His splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons Bae and Matra have been negotiating a joint venture.

Aerospace of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precursor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award the contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: Bae is joining Matra for the cruise missile contest but with Hughes of the US in the anti-tank bid.

Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed up version of its current Amram missile, and a European consortium of several of the partners in Eurofighter: Britain, Germany, Italy and Spain, and possibly also France and Sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the Bae-Matra team, Matra has said it will call off the proposed merger.

Since the British government says it supports a free market in defence equipment arguably the best solution for Bae's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons: which was probably not what the MoD's mandarins had in mind when they first invited bids.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with

an eye to which technologies the UK needs to retain in the past the MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special".

The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the UK does not have to be overly concerned about any particular equipment - including missiles. Second, it says that all modern complex weapons contain elements from so many different countries that it is impossible to ensure fully secure supplies of components anyway.

This approach is in marked contrast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys whole weapons systems from over-

seas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many missile areas.

Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range AIM-120 control the market.

Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while Bae has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas manufacturers.

His splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons Bae and Matra have been negotiating a joint venture.

Aerospace of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precursor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award the contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: Bae is joining Matra for the cruise missile contest but with Hughes of the US in the anti-tank bid.

Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed up version of its current Amram missile, and a European consortium of several of the partners in Eurofighter: Britain, Germany, Italy and Spain, and possibly also France and Sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the Bae-Matra team, Matra has said it will call off the proposed merger.

Since the British government says it supports a free market in defence equipment arguably the best solution for Bae's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons: which was probably not what the MoD's mandarins had in mind when they first invited bids

## Polish parties choose new candidate for PM

By Christopher Bobinski in Warsaw and Anthony Robinson in London

An early end to the Polish political crisis was in sight last night after the leaders of both coalition parties agreed to put forward Mr Włodzimierz Cimoszewicz from the ruling Democratic Left Alliance (SLD) to replace Mr Józef Oleksy as prime minister.

Mr Oleksy, who resigned last week to contest allegations of spying for the KGB, is playing a key role in the negotiations for a new head of government after his election as chairman of the SLD over the weekend.

Yesterday, Mr Waldemar Pawlak, head of the Peasants party (PSL), and Mr Oleksy told President Alexander Kwasniewski that Mr Cimoszewicz was acceptable to both parties as a candidate for the premiership. Earlier the PSL had tried to secure the

premiership for itself.

Mr Cimoszewicz, a 45-year-old lawyer and deputy speaker of the lower house of parliament, is widely seen as a pragmatic and relatively independent figure who is trusted by the former communists. He is also liked by the liberal democratic wing of the opposition Freedom Union.

As chairman of the constitutional committee, set up to draw up a new constitution, Mr Cimoszewicz is also well placed to steer the new constitution through parliament.

Mr Kwasniewski, who named Mr Włodzisław Bartoszewski, the former foreign minister, as another potential candidate for the premiership, is expected to announce his choice before his departure today for the World Economic Forum meeting in Davos, Switzerland.

Under the constitution, a prime minister designate has 14 days within which to form a new gov-

ernment and secure a vote of confidence in parliament.

In return for acceptance of SLD leadership of the coalition, the PSL is seeking more power within a new government.

The PSL, which represents the powerful farming lobby in a country where more than 40 per cent of the population still lives and works in the countryside, is particularly keen to increase its influence over the privatisation ministry and also wants the removal of Mr Jerzy Jaskiernia, the justice minister.

Fear that a government reshuffle would slow down the privatisation programme has helped to speed up some long-delayed privatisation deals. On Tuesday, Philip Morris of the US agreed to pay \$27m for a controlling stake in ZPT Krakow, the country's largest tobacco plant, after months of difficult negotiations.

Profile, Page 2

## Ramos hit by coalition split

By Edward Luce in Manila

The administration of President Fidel Ramos of the Philippines was dealt a serious blow yesterday after the largest party in the ruling coalition left to form an opposition group in the senate.

The split, which could deprive the Ramos administration of a majority in the powerful upper house, raises doubts about the government's ability to enact several key but controversial economic reforms.

Among reform initiatives which economists say are vital to the further recovery of the Philippine economy are deregulation of the oil industry, a new tax system to enhance government revenues, and an anti-terrorism bill to fight a growing Islamic sepa-

ratist movement in the south. Senator Edgardo Angara, leader of the Liberal Democratic party (Laban), which left the ruling coalition yesterday, has made no secret of his ambition to run for president in 1998 when Mr Ramos is due to stand down.

It was not clear yesterday whether the smaller parties in the 24-member senate would join Mr Angara's opposition group to deprive the pro-administration Lakas party of its majority. Political commentators said it could take several days before wavering senators made up their minds.

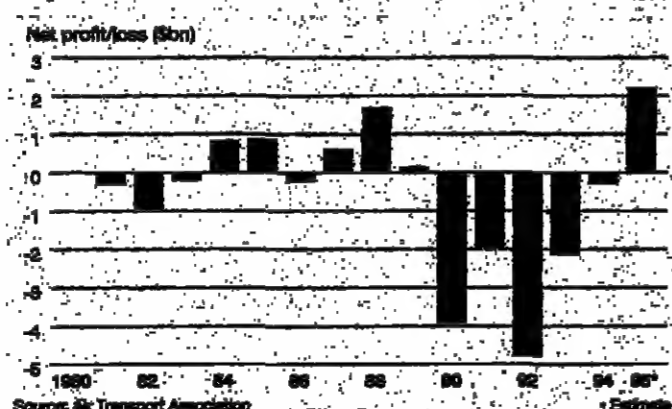
"Yesterday's split signals the beginning of a very long war of attrition for the presidential crown in 1998," said Professor Alex Magno at the University of

the Philippines. "Mr Angara's group will attack the president's reforms at every turn to put maximum distance between Angara's presidential bid and whoever Ramos promotes to inherit his party's nomination."

Mr Ramos, however, can count on the support of the 204 member House of Representatives where his Lakas party controls 130 seats. But, under the US-style constitution, the senate reserves the right to block and amend legislation passed by the lower house.

"President Ramos must push through some very important reforms this year to keep the economic momentum on track," said Mr Peter Wallace, director of ATC Consultants, which advises foreign investors.

### Up in the clouds



## US airlines land on their feet

Continued from Page 1

Wall Street analysts said US airlines will also find it tough to improve on this performance in the current year since all the easy cost-cutting has already been accomplished.

Meanwhile, the big airlines are

still being challenged by relentless competition from smaller, low-cost carriers. Southwest Airlines and ValuJet Airlines are expanding rapidly, and a newly resurrected Pan Am has said it would launch domestic services this summer at half the fares charged by existing carriers.

Iberia row, Page 7

## Santer in jobs boost to aid progress on Emu

By Lionel Barber in Brussels

Mr Jacques Santer, president of the European Commission, yesterday launched plans for a pan-European "confidence pact" in response to fears that the drive towards monetary union is putting people out of work.

He called on member states to "stay to the course" for the single currency, but proposed to spend an extra 200.17bn (€21.1bn) by the end of the century on public works and research projects.

In a speech to the European Parliament billed as a counter-attack against the recent wave of scepticism about the proposed single currency, Mr Santer said it was vital for EU countries to work together to reduce budget deficits, control inflation, tackle unemployment - now at 18m - and kickstart economic growth.

His remedy is a "confidence pact" - a repackaging of existing macro-economic strategy, long-promised plans to dismantle labour market obstacles and closer co-operation between governments, employers and trade unions along the lines of this week's action plan for jobs in Germany.

The Santer initiative marks a more offensive stand by the European Commission, which has watched in frustration as calls for a delay in the Euro timetable have increased.

Mr Santer made clear he would not countenance a delay, but conceded that more needed to be done to tackle unemployment. In a move which could upset Britain, he announced that the Commission would press for employment to be addressed "explicitly and strongly" in this year's intergovernmental conference to review the Maastricht treaty.

Britain, which has an opt-out on EU social policy, is wary of corporatist solutions to unemployment. But Mr Santer said: "The continuing high level of unemployment is putting the cohesion of our societies at risk. It is shaking the foundations of our European model."

He intends to sell his plan to EU heads of government in a tour of EU capitals. He also announced plans for talks in May on unemployment, to be attended by trade union leaders and employers.

A shift in priorities is partly possible because of significant underspending on the Common Agricultural Policy thanks to reductions in farm production. Brussels has calculated that an extra Ecu1bn might be available for the trans-European networks, the multi-billion rail, road and telecoms projects. It believes it can also squeeze an extra Ecu700m for research and development.

### THE LEX COLUMN

## A cut in time

The latest quarter-point cut in US interest rates is good news for the markets, mainly because failure to cut would have been a severe disappointment. It is not difficult to justify the reduction; the latest data this week, including retail sales and producer prices, produced no evidence that economic growth or inflationary pressures are picking up. In fact, a further quarter-point cut in a month or so is also priced in. This is reasonable enough. It implies a real Federal funds rate of 2 per cent, viewed as a neutral policy stance.

The worry for the financial markets is that, for the moment, that looks like the end of the line. The Fed will not cut rates beyond that point unless it expects much worse economic news. Worse, the yield curve is now so flat that there is limited scope for long-dated bonds to rally without more rate cuts. And with inflation worries written off, any return of the spectre of inflation would cause jitters at the long end of the market.

This does not mean that a sharp downward correction is imminent. And as long as the inflationary environment remains benign, and growth slow, the bond market may well remain steady, allowing the stock market to continue its ascent. But US bonds look an increasingly risky investment.

The German bond markets' relative charms, meanwhile, are growing. Not only does the steeper yield curve in Germany leave more room for bond prices to rise, but the Bundesbank has clearly signalled a change of gear in monetary easing.

### Fiat

Yesterday's mildly disappointing figures from Fiat suggest the group's recovery is running out of puff. Despite severe cost cuts over the past two years, buoyant sales of its Punto small car and the weakness of the Italian Lira, 1995 operating profits of L3,400bn (€2.1bn) were below most analysts' forecasts.

One problem has been a sharp decline in Brazilian car sales, traditionally a very profitable market for the Italian carmaker. The impact has been worsened by an increase in import tariffs to as high as 70 per cent. More worryingly, Fiat is experiencing cost pressures again. So far this has been confined to components, such as tyres. But the group has agreed to a 7.6 per cent increase in labour costs for this year, when wages at most of



own suggests the joint venture had become surplus to requirements.

By drawing a line under some of the messier episodes of its past - it has sold its stake in Lasso as well - Enterprise is starting to fill the "strategic vacuum" which has worried investors ever since the Lasso bid failed. More importantly, it has been lucky; recent discoveries in Norway, Denmark and Italy have done much to boost the company's future production profile. That, together with the fact that the shares have underperformed the market by 20 per cent since last January, makes them look distinctly reasonably priced. But with the oil price going through a bout of the jitters - and Lasso arguably cheaper - they are not yet a bargain.

### UK conglomerates

Claims that the British conglomerate is dead look premature despite Hanson's decision to break itself up. Hanson is a special case, with poor cash flow, high dividends, and a haphazard spread of mature businesses. One of the ironies of Hanson's demerger is that the most highly rated of its four parts will be the residual mini-conglomerate rather than the more focused chemicals, tobacco and energy businesses.

Indeed, the break-up of Hanson could lead to a renaissance for its peers. Its dismal share price performance during the 1990s has depressed the entire sector. Williams, Tomkins and BTR have all been tarred with the Hanson brush. However, they have all achieved higher returns on capital, invested more in expanding their businesses, and - but for Tomkins - have been steadily focusing on core areas of competence. Williams has shrunk to three related businesses, and BTR, while it retains a myriad of operating subsidiaries, has already undergone a dramatic clear-out. So long as conglomerates can continue to extract benefits from commercial links between subsidiaries, or pick-up undervalued businesses in areas where they have management expertise, their role should be safe. Hanson was the oddest one out.

There is scope for further portfolio restructuring - BTR could hive off its fast-growing packaging business. But if Hanson's break-up heralds any change for conglomerates, it is likely to be revitalisation rather than death.

Lex comment on Alliance & Leicester, Page 22

## Warning on German jobs

Continued from Page 1

to cut social costs for companies, to reduce red tape and to lower the corporate tax burden.

As part of this week's economic package, the German government pledged to have a second look at tax rules, introduced at the beginning of the year, under which users of company cars pay tax on 1 per cent of the car's list price each month.

The VDA yesterday calculated that the car industry would lose between DM3bn and DM4bn in sales of new cars, about 5 per cent of domestic turnover, if the law remained in place.

Sensing a possible U-turn by the government, the industry is stepping up its efforts to remove the new tax.

Mr Helmut Werner, chairman of Mercedes-Benz, the luxury carmaker, said the impact of the tax was already being felt in the secondhand luxury cars market.

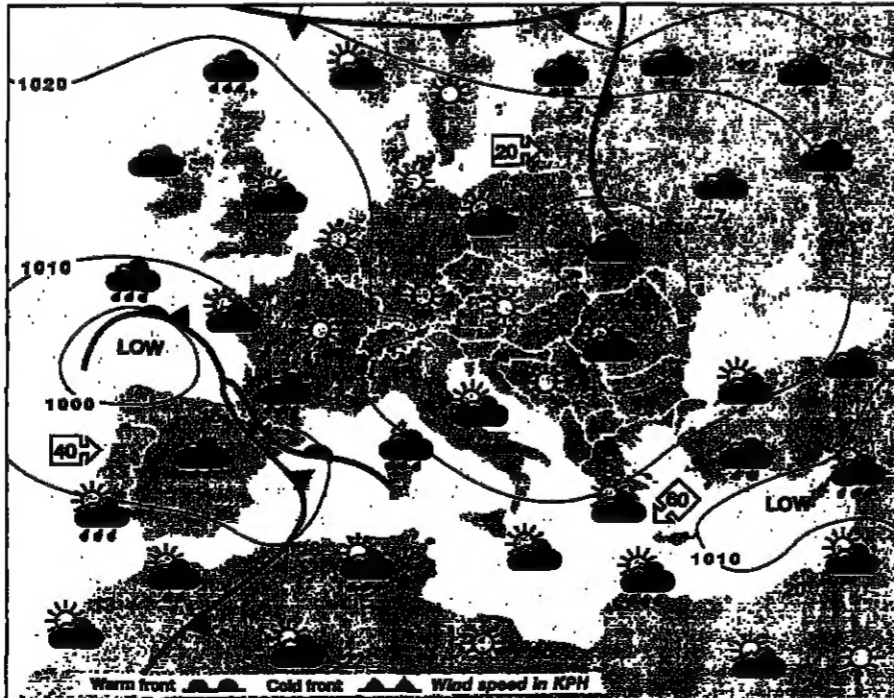
### FT WEATHER GUIDE

#### Europe today

The Benelux, northern France and southern Germany will have a lot of sun but maximum temperatures will be around freezing. The Czech Republic, southern Poland and the countries surrounding the Alps will be sunny. Most of Russia will be cloudy. Scattered cloud will cross northern Poland and Germany. Russia will have some snow. Spain and, later, southern France will have a lot of cloud and rainy periods. Portugal will have showers. Showers will also occur in Turkey and Cyprus.

#### Five-day forecast

Spain, Portugal and, later, Italy will remain unsettled until the end of the weekend. During the weekend, cloud and rain will occur in the Balkans and will move towards Greece and Turkey. A disturbance will cross the western parts of the continent bringing rain to France and snow to the Benelux. During the weekend, there is likely to be snow in Alpine countries at the higher altitudes. The UK will be rather cloudy but mainly dry with sunny periods.



#### TODAY'S TEMPERATURES

Maximum	Belling	sun	0	Caracas	fair	25	Faro	showers	15	Madrid	rain	9	Rangoon	sun	31
Celcius	Belmont	cloudy	2	Cardiff	rain	4	Frankfurt	sun	15	Maastricht	rain	16	Rio de Janeiro	sun	1
Abu Dhabi	Berlin	fair	-3	Casablanca	showers	18	Geneva	sun	1	Mala	fair	15	Roma	showers	14
Akron	Birmingham	fair	3	Chicago	snow	-10	Glasgow	cloudy	2	Manchester	cloudy	3	S. Francisco	sun	13
Algiers	Bogota	sun	20	Cologne	sun	24	Hamburg	sun	3	Milan	fair	30	S. Paulo	cloudy	25
Amsterdam	Bombay	sun	33	Dakar	sun	24	Helsinki	cloudy	7	Montreal	showers	22	Singapore	showers	29
Athens	Brussels	sun	3	Dallas	cloudy	7	Hong Kong	fair	18	New York	cloudy	23	Stockholm	sun	-4
Atlanta	Budapest	sun	5	Delft	sun	23	Honolulu	cloudy	27	Ottawa	sun	1	Stuttgart	sun	3
Bahia	Cairo	sun	20	Dublin	cloudy	5	Istanbul	showers	2	Paris	cloudy	-15	Sydney	sun	28
Bangkok	Chagen	sun	-1	Edinburgh	cloudy	11	Jakarta	cloudy	30	Seoul	showers	15	Taipei	showers	15
Barcelona	Cape Town	fair	25		cloudy	3	Jersey	fair	6	Tel Aviv	sun	20	Tokyo	sun	7
							Kuala Lumpur	fair	27	Toronto	sun	-11	Vancouver	sun	2
							Kuwait	fair	24	Venice	sun	-4	Vienna	sun	-4
							L. Angeles	cloudy	15	Warsaw	cloudy	15	Washington	cloudy	-1
							Las Palmas	sun	21	Wellington	sun	21	Winnipeg	sun	-30
							Lima	cloudy	27	Zurich	sun	-3			
							Lisbon	showers	13						
							London	fair	6						
							Luxembourg	sun	3						
							Lyon	fair	2						
							Madrid	fair	17						

No global airline has a younger fleet.

**Lufthansa**

No global airline has a younger fleet.

**Lufthansa**

# 0171 521 2000

THE NEW NUMBER TO TAKE YOUR INVESTMENT BANKING REQUIREMENTS INTO THE NEXT MILLENNIUM.

From February 1st 1996, the new main telephone number for Nomura International plc, Nomura Bank International plc and Nomura Research Institute (Europe) Ltd in London will become:

**Switchboard (44 171) 521 2000. Main fax (44 171) 521 2121.**

**NOMURA**  
KNOW HOW

Nomura House, 1 St. Martin's-in-the-Fields, London EC4A 3DF, United Kingdom.  
Nomura International plc is regulated by the SFA and a member of the London Stock Exchange.  
Nomura Bank International plc is an authorized institution under the Bank of England and related banking acts.

مكتبة الناصر